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STATISTICAL BULLETIN

Highlights

- LABOR MARKET IS COOLING
- CONSUMER SPENDING IS MODERATE. SPENDING POWER IS GROWING SLOWLY
- NEW ORDERS REMAIN SOFT
- EXPORT GROWTH IS SLOWING
- INDUSTRIAL OUTPUT GROWTH IS SLUGGISH AND CAPACITY UTILIZATION RATES ARE DECLINING.
- ON THE INFLATION WATCH: FORECASTERS SEE NO CAUSE FOR CONCERN. FINANCIAL MARKETS ARE NOT SO SURE.
- OUTLOOK • U.S. ECONOMIC GROWTH IS SLOWING IN THE FOURTH QUARTER OF 1989. SLUGGISH GROWTH RATES OF ONLY ABOUT 1.5% BY MID-1990. BUT NO RECESSION.

Volume 22, No. 10, October, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: It is clear that the U.S. economy is now growing more slowly. What is less clear is whether inflation will remain manageable. To illustrate: The day markets learned the unemployment rate went from 5.2% in August to 5.3% in September, newscasts were filled with speculation about an interest rate cut, as a way of keeping the economy from slipping too far. Exactly one week later, the announcement of an unexpectedly high 0.9% rise in wholesale prices put an end to any talk of an imminent interest rate cut— and an end to a bullish stock market.

The consensus of the **Economic Forecasts** is that economic growth is unlikely to slip below 1 1/2% over the next four quarters, and inflation is unlikely to rise by more than 4 1/2% over the same period.

These forecasts also indicate that the economy will start growing faster (in a range of 2 1/2% to 3 1/2%) in the second half of 1990, and into 1991. Some analysts predict inflation if the economy sustains a growth rate above 2 1/2% for any length of time. Apparently, while some are worrying about recession, the risk of near-term inflation seems greater.

DOMESTIC MARKET MONITOR

Employment growth is slowing. Durable-manufacturing jobs fell in September for the second month; nondurable jobs declined slightly in September. The rise in service jobs remained solid; the job rise in wholesale and retail trade turned modest.

More modest growth in jobs is offset—partly—by a lengthening workweek. Total hours worked in manufacturing was lower in September than three months earlier but elsewhere, total hours worked was marginally higher.

Overall, the expectation remains one of gradual cooling, not continued declines, in labor market activity. The Conference Board's **Help-wanted Index,** a measure of labor demand, was at about the same level in August as in June, and early returns to the September survey suggest it remained level. Finally, the average hourly pay rate rose in September. If the labor market were about to go into a tailspin, employers could be unlikely to start paying higher wages.

INCOME: More modest employment gains in September could limit income growth. But consumer income through August was rising at a fairly rapid clip. Wages in commodity-producing industry were 1.7% higher in August than three months earlier. Wages in the "other industry" category were 2.1% higher. Thus, even if the rise in consumer income slowed a bit in September, it probably remained strong enough to sustain gains in consumer spending.

Consumer credit demand is strengthening. Nonauto borrowing surged in August. Auto loans also picked up in pace, as consumers took advantage of sales promotions. That consumers are willing to take on more debt now is a sign of their confidence that the economy is not about to sink into a recession.

Consumer attitudes also reflect optimism. The Conference Board's **Consumer Confidence Index** stood at 115.4 (1985 = 100) in September, about where it was at the start of the year. The **Expectations Component**, which measures appraisal of job and pay prospects over the next six months, was at 105 in September, compared to 104.1 in January. Thus, consumer willingness to spend, and appraisal of near-term prospects, have remained quite positive. Their willingness to borrow suggests consumers are willing to act on their perceptions.

SPENDING: Retail sales of durable goods, except cars, were 1.6% higher in September than three months earlier. These relatively modest gains in consumer spending—in the presence of income gains, confidence, and demonstrated readiness to borrow—suggests that the shopping spree will be neither euphoric nor endless.

Car buying has peaked for the moment. Promotional incentives attracted customers in August and September. But the promotions are over and new model-year sticker prices have been posted. Car makers realize they have 'borrowed' some sales, in that some buyers took advantage of the promotions without waiting to see what the new models and prices looked like. Car production, consequently, has been trimmed.

CONSTRUCTION: Strong consumer confidence and lower mortgage rates, and perhaps the gains in consumer income, helped boost sagging home sales this summer. Another strong factor was that the median price of a new single-family home was only 3.3% higher in August than three months earlier. Still, home sales are not poised to soar: In fact, permits to build new, single-unit homes were only 1.4% higher in August than three months earlier. While home buying won't surge in the last quarter of 1989, it is not likely to start declining again.

Nonresidential construction activity also seems to be over its slump. Office building (public and private) was still declining in August; but commercial and industrial building as well as road construction, was rising.

PRODUCTION: Despite gains in consumer spending, production schedules have been kept lean. Output of consumer durable goods was 1.2% lower in August than three months earlier. That offset a 0.5% rise in output of business equipment, and a 0.3% rise in output of defense- and space-related materiel. Overall, industrial production was

Ken Goldstein, Editor

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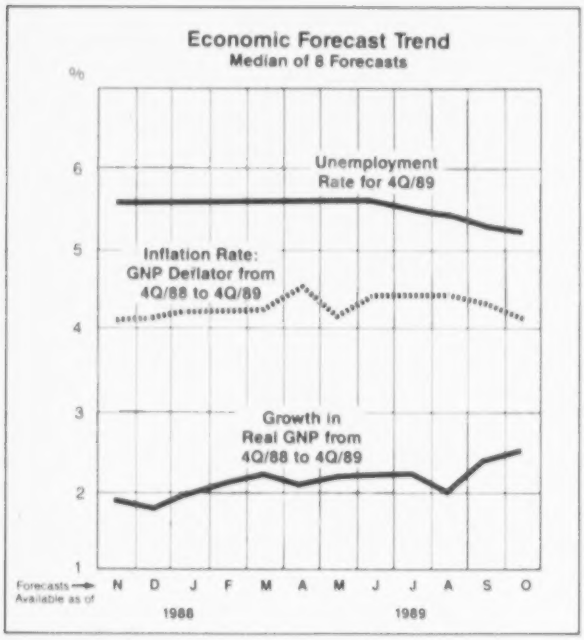


only 0.6% higher in August than three months earlier. The decline in total manufacturing hours worked in September suggests industrial production probably declined slightly.

Modest gains in industrial production through August and continued strong business investment in plant and equipment have helped lower the capacity utilization rates a trifle. The rate for all industry was 83.8% in August, essentially unchanged for four straight months and lower than the 84.3% rate in January. Thus, the strain on capacity is not building, one indication that inflationary pressure is not escalating, leading some analysts to expect the Federal Reserve to let interest rates come down.

Industrial output growth may not pick up strongly after September. Orders for durable goods, except transportation equipment, were 0.4% higher in August than three months earlier. But the ratio of unfilled orders to shipments was 3.6% lower. Apparently, producers are filling these cyclically-sensitive orders faster than new orders are coming in, even now, when new orders have finally stopped declining.

INVENTORY: Another reason why output growth may remain subdued is that inventory is rising faster than industrial sales. Total inventory, except cars at the retail level, was 1.8% higher in July than three months earlier, while sales declined by 1.4 percent. Consequently, the Inventory-to-Sales ratio, after a long period of little change, was 3.2% higher in August than three months earlier. This suggests that inventory is a little less lean than it was previously. It does not signal a sudden unintended inventory buildup.

INFLATION: The consensus of the **Economic Forecasts** is that the rise in the CPI will remain stable, at a 4 1/2% annual rate from the fourth quarter of 1989 through the forecast horizon. That optimistic assessment is predicated on slower economic growth, and some risks are increasing. Prices for raw industrial materials rose by 0.7% in September, after declining for four months. Wholesale prices for crude materials, except food and energy, rose by 0.3% in September, second monthly rise after declining in each of the prior four months.

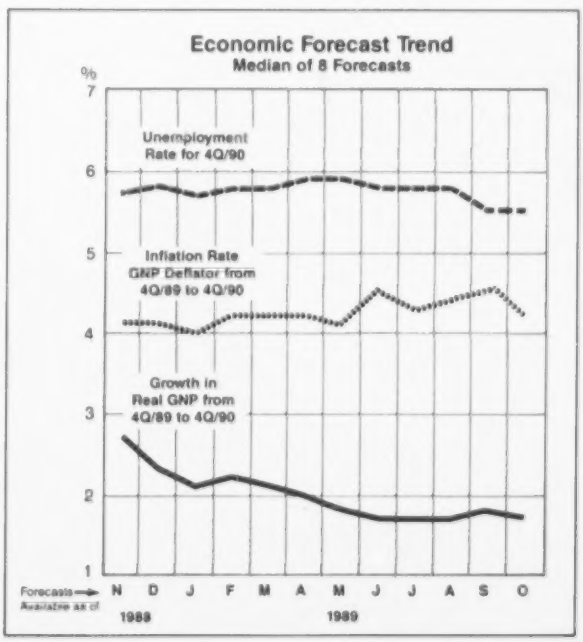
INTERNATIONAL MONITOR

Imports continue to slump. Total imports of manufactured goods were 1.9% lower in July than three months earlier, even though imports of consumer goods, except cars, were 3.8% higher. Imports of cars, capital goods, and industrial materials fell. With industrial output growing very slowly in August and September, imports of industrial materials probably continued to fall slightly.

The bad news is that exports have been flat. Total exports were 0.1% lower in July than three months earlier. Shipments of cars and other consumer goods fell, although goods and industrial material rose.

The international financial climate seems to be brightening. The dollar's effective exchange rate was no higher in August than in May, and there was little change in interest rates. The **Domestic-International Discomfort Index (DIDI)**, then, remained flat—after a sizable increase earlier this year. In September, the dollar started to rise a little and now there is talk of lower interest rates again. DIDI, therefore, appears to be back on an uptrend.

Ken Goldstein
October 13, 1989

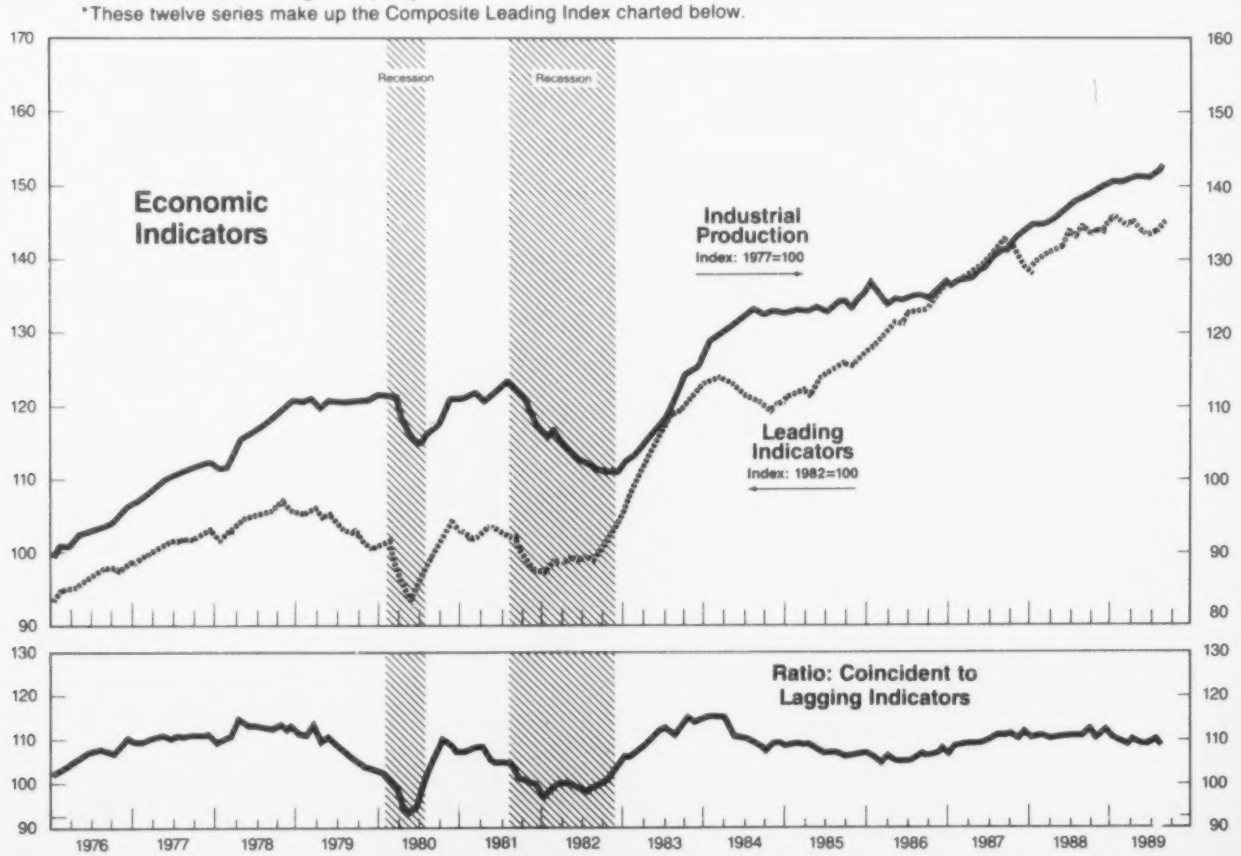


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.		X		0.4%	0.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.		X		0.9%	- 5.5%
New orders, nondefense capital goods (deflated)	July		X		- 0.3%	7.1%
New business formation	July	X			0.5%	2.7%
*Housing permits	Aug.		X		- 1.6%	- 9.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.	X			4.8%	5.3%
*Change in unfilled orders, mfg.	Aug.			X	-27.7%	-25.4%
Purchasing manager's buying policy	Aug.			X	- 8.2%	- 8.2%
*Vendor performance, reported slower deliveries	Aug.			X	- 8.9%	-22.2%
Industrial raw materials prices	Aug.			X	- 1.8%	4.7%
*Change in sensitive material prices	Aug.			X	-195.9%	-181.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.	X			1.8%	- 1.0%
Change in business loans	July			X	- 31.6%	7.6%
*Consumer expectations	Aug.		X		0.2%	- 9.6%
Change in consumer installment debt	June			X	-20.7%	-44.8%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	- 7.5%	- 7.4%
*Common stock prices	Aug.	X			10.4%	31.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	Aug.			X	- 0.1hr	- 0.1hr
*Initial unemployment claims (inverted)	Aug.			X	- 1.3%	- 6.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



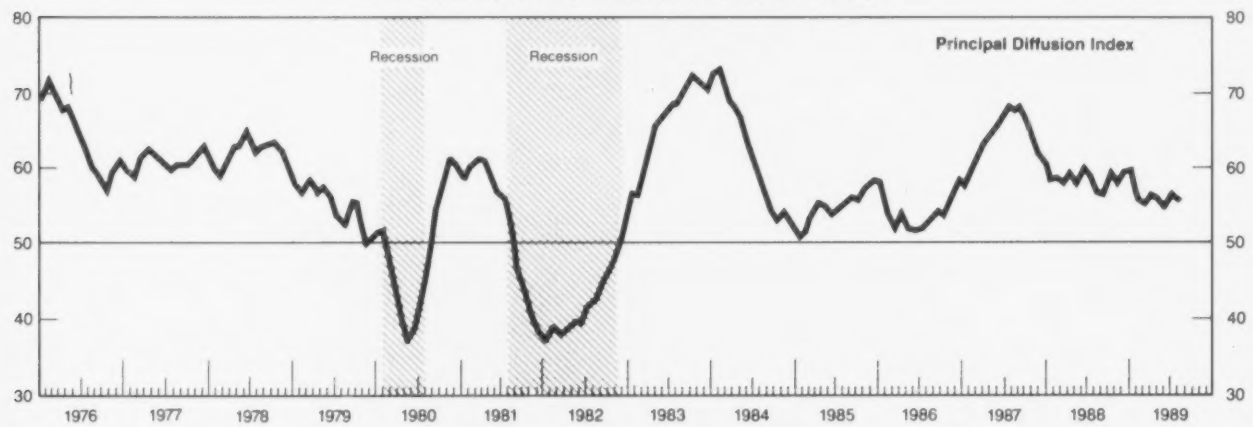
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1988 Aug.	1989 May	1989 June	1989 Jul.	1989 Aug (e)
Principal Diffusion Index	57.4	56.1r	54.5r	56.4r	55.9
Auxillary Diffusion Index	43.2	49.0r	45.0r	56.3r	48.2
Industrial Group	55.8	54.2r	51.1r	52.9r	53.1
Nonindustrial Group	58.9	57.9r	57.9r	60.0r	58.7
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	58.1	64.1	64.5r	64.5r	59.8
Labor	50.9	47.3r	41.2r	45.0r	45.4
Miscellaneous	64.7	56.4	55.8	55.1	62.2
Nonindustrial Subgroups					
Prices	42.9	59.0	58.3	58.3	57.7
Consumer	67.1	64.5r	59.4r	60.3r	66.2
Building	57.4	46.8	53.8	53.2r	45.5
Miscellaneous	62.4	58.1	59.0	65.4	60.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986 Nov.	1987 Feb.	1987 May	1987 Aug.	1987 Nov.	1988 Feb.	1988 May	1988 Aug.	1988 Nov.	1989 Feb.	1989 May	1989 Nov.
	Score (scale 0-100)											
Measure of Business Confidence	51	55	55	59	47	51	58	56	51	48	48	49
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	50	56	55	62	50	49	64	65	54	52	48	47
2. Expectations for Economy, Six Months Ahead	51	54	53	56	43	50	54	51	48	43	47	48
3. Expectations for Own Industry, Six Months Ahead	53	56	56	58	48	54	55	53	51	48	50	51

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Capital Markets		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Sept., 1989*		*Sept., 1989*		*Sept., 1989*		*Sept., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**II**	**$5201.7**	**7.1%**	**$5201.7**	**7.1%**	**$5201.7**	**7.1%**	**$5201.7**	**7.1%**
Forecast	1989	III	5259.3	4.5	5276.3	5.9	5285.5	6.6	5276.3	5.9
		IV	5295.0	2.7	5354.6	6.1	5358.8	5.7	5356.5	6.2
	1990	I	5355.9	4.7	5442.0	6.7	5425.6	5.1	5428.4	5.5
		II	5442.0	6.6	5538.0	7.2	5490.2	4.8	5510.5	6.2
		III	5526.7	6.4	5635.4	7.2	5568.3	5.8	5593.1	6.1
		IV	5603.3	5.7	5732.5	7.1	5645.5	5.7	5691.6	7.2
	1991	I	5710.4	7.9			5746.5	7.4	5781.2	6.4
		II	5825.1	8.3			5852.5	7.6	5878.5	6.9
		III	5934.2	7.7			5967.7	8.1		
	1989	Annual	5217.3	6.9	5236.4	7.3	5239.8	7.4	5236.9	7.3
	1990	Annual	5482.0	5.1	5587.0	6.7	5532.4	5.6	5555.9	6.1
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**II**	**$4132.5**	**2.5%**	**$4132.5**	**2.5%**	**$4132.5**	**2.5%**	**$4132.5**	**2.5%**
Forecast	1989	III	4140.8	0.8	4155.7	2.3	4152.0	1.9	4161.1	2.8
		IV	4129.1	-1.1	4172.7	1.6	4167.0	1.5	4184.8	2.3
	1990	I	4133.8	0.5	4191.6	1.8	4180.0	1.3	4198.3	1.3
		II	4157.4	2.3	4216.5	2.4	4191.0	1.1	4212.9	1.4
		III	4179.7	2.2	4242.5	2.5	4212.0	2.0	4227.6	1.4
		IV	4199.1	1.9	4267.5	2.4	4232.0	1.9	4253.8	2.5
	1991	I	4237.5	3.7			4263.0	3.0	4269.7	1.5
		II	4282.5	4.3			4297.0	3.2	4290.9	2.0
		III	4321.1	3.7			4337.0	3.8		
	1989	Annual	4127.3	2.6	4141.9	2.9	4139.6	2.9	4146.3	3.0
	1990	Annual	4167.5	1.0	4229.5	2.1	4203.8	1.6	4223.2	1.9
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**II**	**125.9**	**4.5%**	**125.9**	**4.5%**	**125.9**	**4.5**	**125.9**	**4.5%**
Forecast	1989	III	127.0	3.7	127.0	3.5	127.3	4.6%	126.8	3.0
		IV	128.2	3.9	128.3	4.4	128.6	4.2	128.0	3.8
	1990	I	129.6	4.2	129.8	4.8	129.8	3.8	129.3	4.1
		II	130.9	4.2	131.3	4.7	131.0	3.8	130.8	4.7
		III	132.2	4.1	132.8	4.6	132.2	3.7	132.3	4.7
		IV	133.4	3.7	134.3	4.6	133.4	3.7	133.8	4.6
	1991	I	134.8	4.0			134.8	4.3	135.4	4.9
		II	136.0	3.8			136.2	4.2	137.0	4.8
		III	137.3	3.9			137.6	4.2		
	1989	Annual	126.4	4.2	126.4	4.2	126.6	4.4	126.3	4.1
	1990	Annual	131.5	4.1	132.1	4.5	131.6	4.0	131.6	4.2
Unemployment Rate										
Actual	**1989**	**II**		**5.3%**		**5.3%**		**5.3%**		**5.3%**
Forecast	1989	III		5.2		5.2		5.2		5.2
		IV		5.4		5.3		5.4		5.1
	1990	I		5.6		5.3		5.5		5.2
		II		5.7		5.3		5.6		5.3
		III		5.8		5.3		5.7		5.4
		IV		5.9		5.3		5.7		5.4
	1991	I		5.8				5.7		5.5
		II		5.7				5.6		5.5
		III		5.6				5.5		
	1989	Annual		5.2		5.2		5.3		5.2
	1990	Annual		5.7		5.3		5.6		5.3

Notes: Percentage changes represent compound annual rates of change from perceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (second revision) second quarter data.

ECONOMIC FORECASTS (continued)

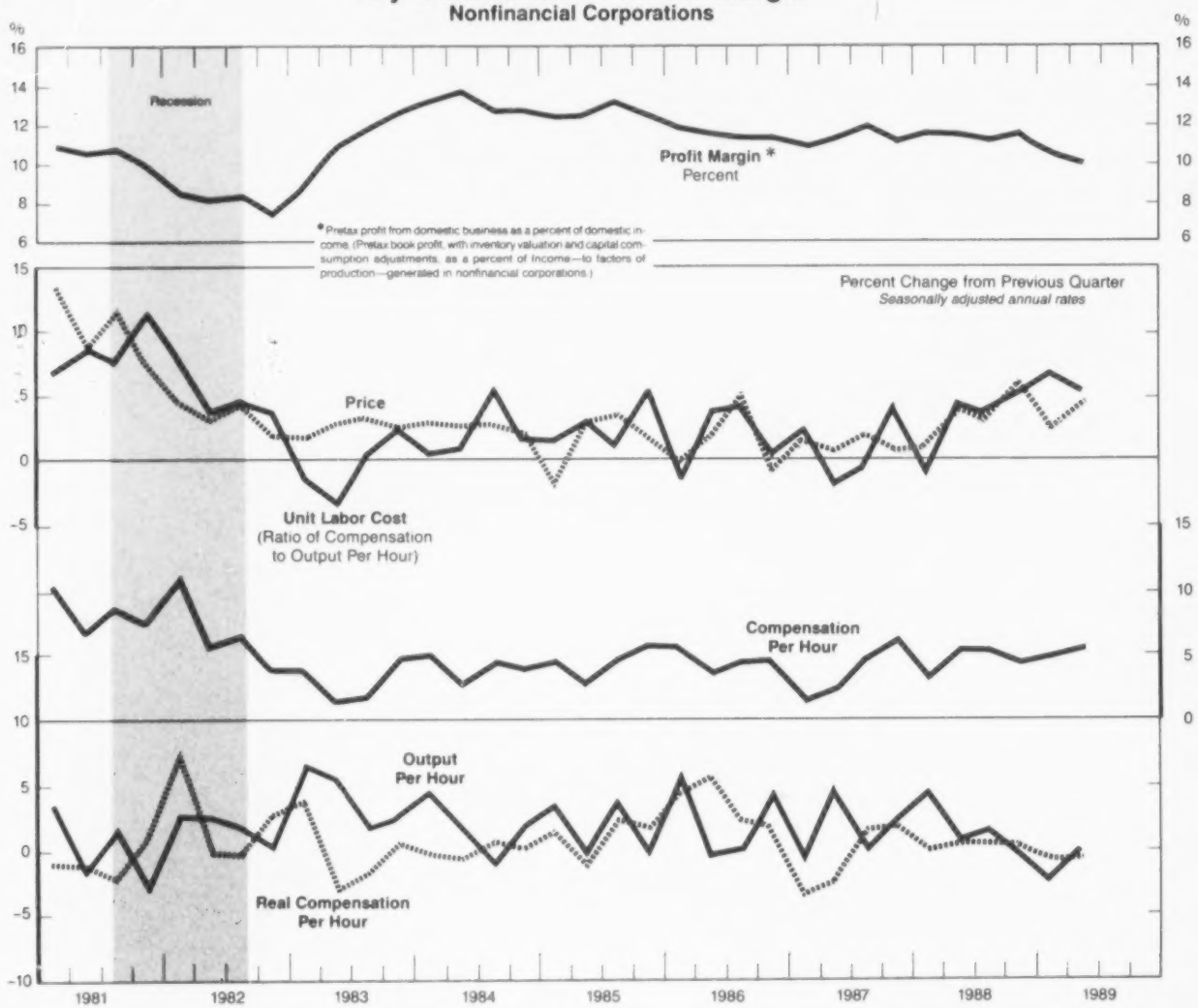
The Conference Board[2]		Laurence H. Meyer[1] Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Sept., 1989		*Sept., 1989*		*Sept., 1989*		*Sept., 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$5201.7	**7.1%**	**$5201.7**	**7.1%**	**$5201.7**	**7.1%**	**$5201.7**	**7.1%**	**II**	**1989**	**Actual**
5281.0	6.2	5267.6	5.2	5277.0	5.9	5277.7	6.0	III	1989	Forecast
5348.0	5.2	5338.1	5.5	5335.6	4.5	5360.5	6.4	IV		
5389.0	3.1	5418.3	6.1	5405.6	5.3	5448.9	6.8	I	1990	
5462.0	5.5	5494.0	5.7	5472.1	5.0	5533.6	6.4	II		
5557.0	7.1	5567.6	5.5	5541.1	5.1	5625.0	6.8	III		
5662.0	7.8	5639.0	5.2	5628.3	6.4	5717.8	6.8	IV		
		5733.5	6.9	5743.6	8.4	5822.4	7.5	I	1991	
		5822.3	6.3	5861.5	8.5	5924.9	7.2	II		
		5914.2	6.5	5975.1	8.0	6029.8	7.3	III		
5236.0	7.3	5230.1	7.2	5231.8	7.2	5238.3	7.3	Annual	1989	
5517.5	5.4	5529.7	5.7	5511.8	5.4	5581.3	6.5	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4132.5	**2.5%**	**$4132.5**	**2.5%**	**$4132.5**	**2.5%**	**$4132.5**	**2.5%**	**II**	**1989**	**Actual**
4155.0	2.2	4155.6	2.3	4162.6	2.9	4160.4	2.7	III	1989	Forecast
4165.1	1.0	4173.0	1.7	4173.0	1.0	4175.7	1.5	IV		
4155.0	-1.0	4191.4	1.8	4189.5	1.6	4192.7	1.6	I	1990	
4169.4	1.4	4211.3	1.9	4200.6	1.1	4210.8	1.7	II		
4197.1	2.7	4229.2	1.7	4213.7	1.3	4241.0	2.9	III		
4231.7	3.3	4245.4	1.5	4242.3	2.7	4269.5	2.7	IV		
		4273.1	2.6	4285.1	4.1	4290.9	2.0	I	1991	
		4300.3	2.6	4329.5	4.2	4322.7	3.0	II		
		4329.2	2.7	4366.4	3.5	4350.3	2.6	III		
4139.9	2.9	4142.0	2.9	4143.7	3.0	4143.1	3.0	Annual	1989	
4188.3	1.2	4219.3	1.9	4211.5	1.6	4228.5	2.0	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
125.9	**4.5%**	**125.9**	**4.5%**	**125.9**	**4.5%**	**125.9**	**4.5%**	**II**	**1989**	**Actual**
127.8	6.2	127.5	5.2	126.8	2.9	126.9	3.2	III	1989	Forecast
128.7	2.9	128.5	3.1	127.9	3.5	128.4	4.9	IV		
129.4	2.1	129.8	4.4	129.0	3.7	130.0	5.0	I	1990	
131.5	6.6	131.1	3.9	130.3	3.9	131.4	4.5	II		
133.3	5.7	132.2	3.5	131.5	3.8	132.6	3.8	III		
134.9	5.0	133.3	3.5	132.7	3.6	133.9	3.9	IV		
		135.1	5.3	134.0	4.2	135.7	5.4	I	1991	
		136.3	3.6	135.4	4.1	137.1	4.1	II		
		137.5	3.8	136.8	4.4	138.6	4.6	III		
126.7	4.5	126.6	4.4	126.3	4.1	126.4	4.2	Annual	1989	
132.3	4.4	131.6	4.0	130.9	3.7	132.0	4.4	Annual	1990	
								Unemployment Rate		
	5.3%		**5.3%**		**5.3%**		**5.3%**	**II**	**1989**	**Actual**
	5.2		5.2		5.2		5.2	III	1989	Forecast
	5.3		5.2		5.2		5.3	IV		
	5.5		5.3		5.3		5.4	I	1990	
	5.6		5.4		5.4		5.6	II		
	5.6		5.4		5.5		5.6	III		
	5.4		5.5		5.6		5.5	IV		
			5.5		5.5		5.5	I	1991	
			5.5		5.4		5.4	II		
			5.5		5.3		5.3	III		
	5.2		5.2		5.2		5.2	Annual	1989	
	5.5		5.4		5.4		5.5	Annual	1990	

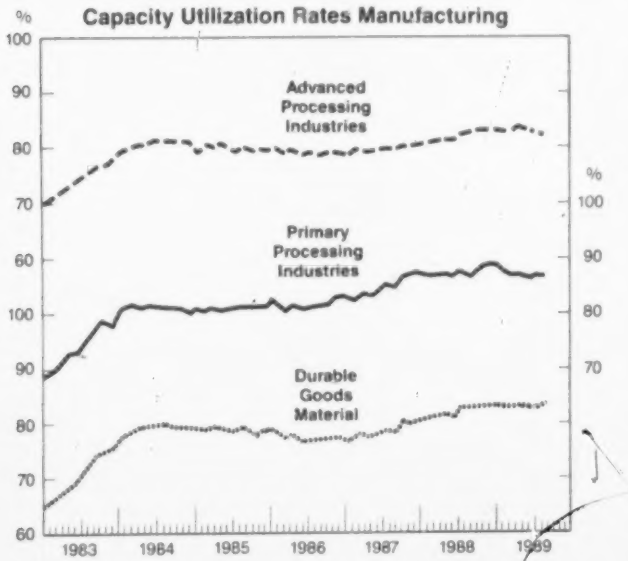
CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

Key Determinants of Profit Margin

Nonfinancial Corporations

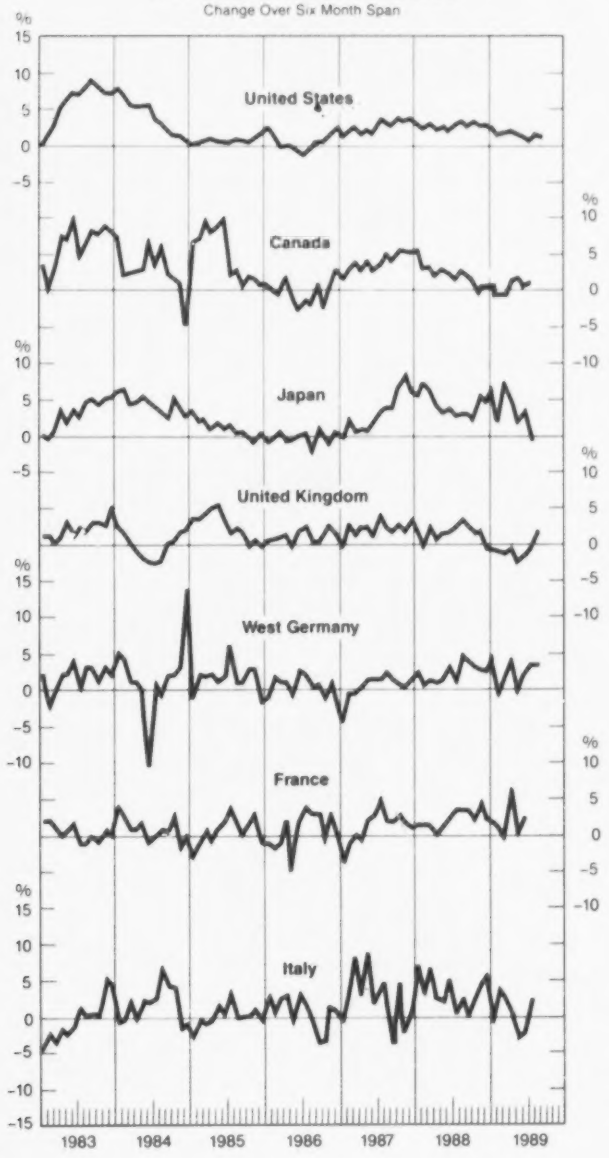




Selected International Comparisons

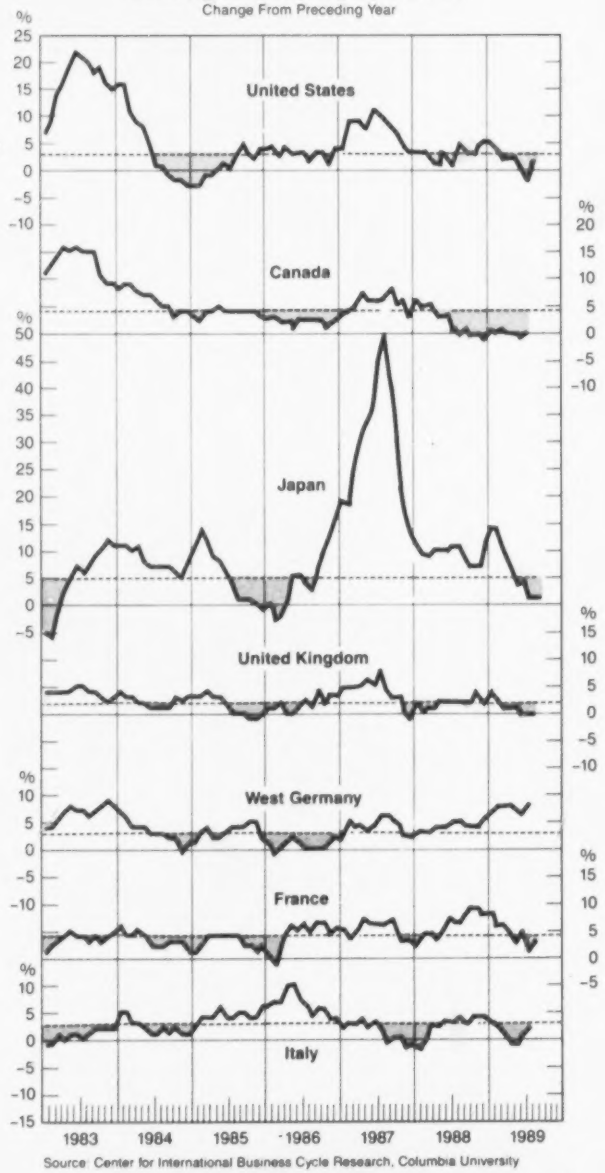
Industrial Production Indexes

Change Over Six Month Span

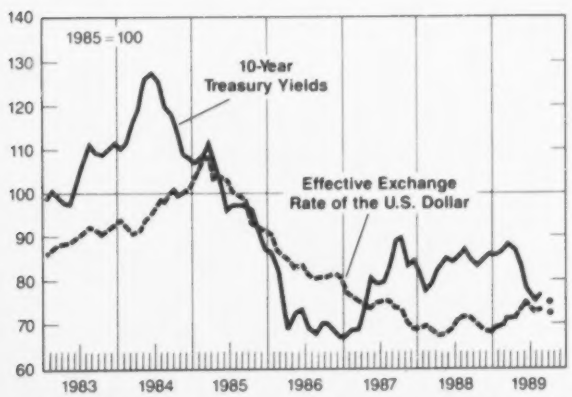


Leading Business Cycle Indexes

Change From Preceding Year

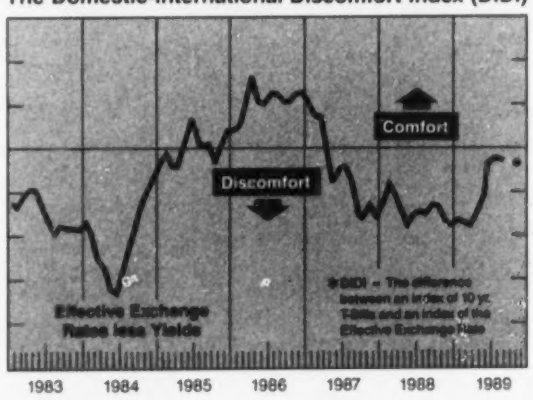


Source: Center for International Business Cycle Research, Columbia University



Sources: Morgan Guaranty Trust Company; Department of Treasury; *The Sommers Letter*

The Domestic-International Discomfort Index (DIDI)*



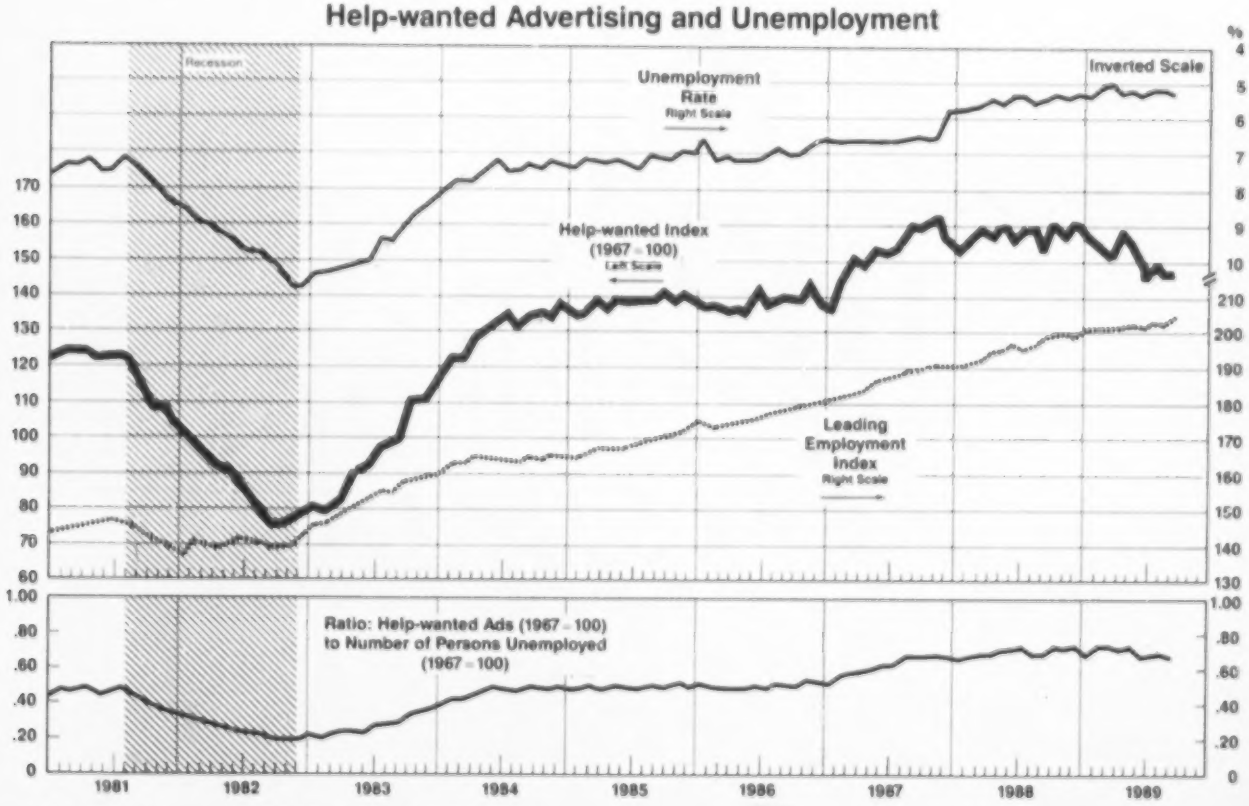
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 Sep.	1989 Aug.	1989 July	1988 Sep.
National Index	146	147r	150	154
New England	99	100	109	141
Boston	94	97	107	133
Hartford	106	104	111	149
Providence	110	109	115	159
Middle Atlantic	73	74	76	85
Albany	173	184	156	239
Allentown	345	330	339	395
New York	47	48	49	56
Philadelphia	58	62	66	68
Pittsburgh	97	98	102	100
Rochester	94	85	97	91
Syracuse	155	151	151	171
East North Central	98	99	103	105
Chicago	98	99	105	110
Cincinnati	160	150	159	179
Cleveland	70	74	79	71
Columbus	164	174	178	171
Dayton	87	87	90	92
Detroit	52	54	56	58
Gary	230	221	226	197
Indianapolis	135	137	128	129
Milwaukee	73	74	72	88
Toledo	120	126	131	140
West North Central	93	98	99	94
Kansas City	120	129	125	118
Minneapolis	79	88	90	86
Omaha	185	171	182	168
St. Louis	67	69	69	68
South Atlantic	175	174r	184	214
Atlanta	218	218	230	256
Baltimore	166	159	170	266
Charlotte	184	191	188	207
Jacksonville	213	212	216	231
Miami	154	158r	149	172
Richmond	141	143r	148	139
Washington, D.C.	162	160r	182	189
East South Central	189	184	173	189
Birmingham	202	198	179	195
Knoxville	336	333	318	322
Louisville	N.A.	N.A.	N.A.	107
Memphis	143	140	139	140
Nashville	249	236	224	257
West South Central	213	181r	203	174
Dallas	146	145	146	145
Houston	358	269	323	255
New Orleans	140	130	144	126
Oklahoma City	123	120	127	116
San Antonio	153	136	148	142
Tulsa	169	169r	174	145
Mountain	309	316	311	304
Denver	213	217	219	202
Phoenix	381	375	364	401
Salt Lake City	395	425	417	366
Pacific	251	268r	261	253
Los Angeles	164	174	166	165
Sacramento	556	525	515	522
San Bernardino	327	327r	321	313
San Diego	643	678	670	571
San Francisco	N.A.	260	252	262
Seattle	305	292	294	267
Percentage of papers with rising volume	53	35	63	20
Unemployment rate	5.3	5.2	5.2	5.4

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6	116.7	117.2	120.4	115.4	116.3r	116.4p		

Expectations Index

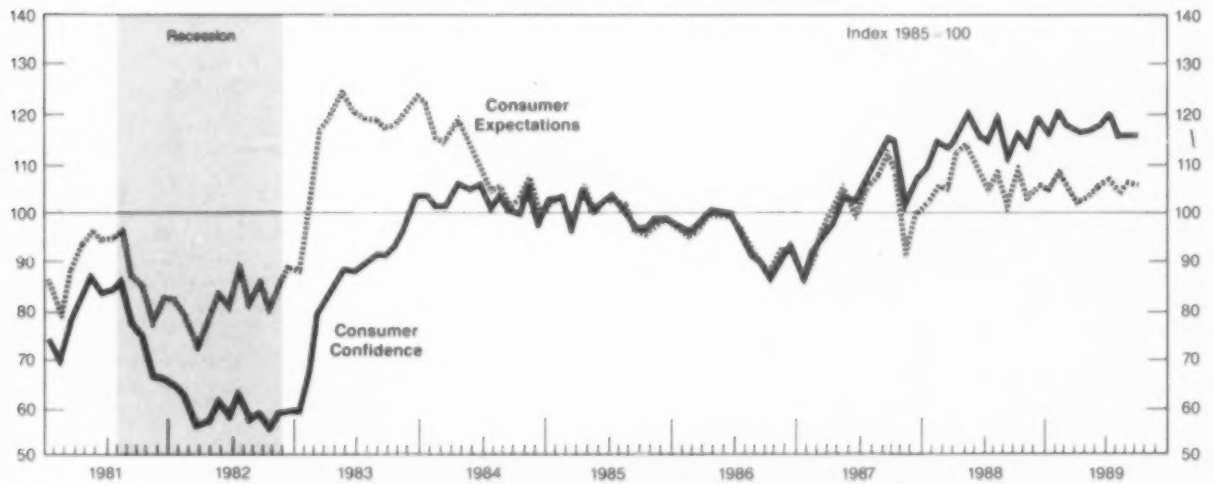
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8	103.0	105.1	106.6	103.7	106.1r	105p		

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS

Billions of Dollars, Seasonally Adjusted

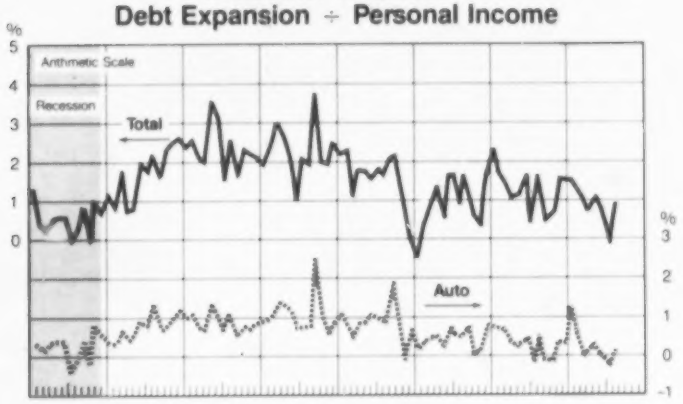
	1987			1988				Percent Change From Previous Year	
								Actual	Estimate
	III-87	IV-87	I-88	II-88	III-88	IV-88(r)	I-89(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.561	35.909	30.846	40.686	40.384	45.279	50.009	39%	16%
Capital expenditures	27.381	29.820	29.412	31.718	36.037	35.281	35.331	33	18
Change in appropriations backlog*	-0.080	3.510	0.650	8.760	-4.110	8.630	14.340		
Durable Goods									
New appropriations	17.208	20.245	14.310	20.261	20.791	23.547	18.129	27	14
Capital expenditures	13.970	16.037	15.780	16.910	19.526	16.657	17.032	31	28
Change in appropriations backlog*	2.930	3.810	-1.600	3.670	-1.080	6.240	1.340		
Nondurable Goods									
New appropriations	12.353	15.664	16.536	20.425	19.593	21.732	31.880	52	17
Capital expenditures	13.411	13.783	13.632	14.808	16.511	18.624	18.299	35	12
Change in appropriations backlog*	-3.010	-0.300	2.250	5.090	-3.030	2.390	13.010		

Available on request: Historical data from 1953, and quarterly reports containing text and data for 17 separate manufacturing industries.

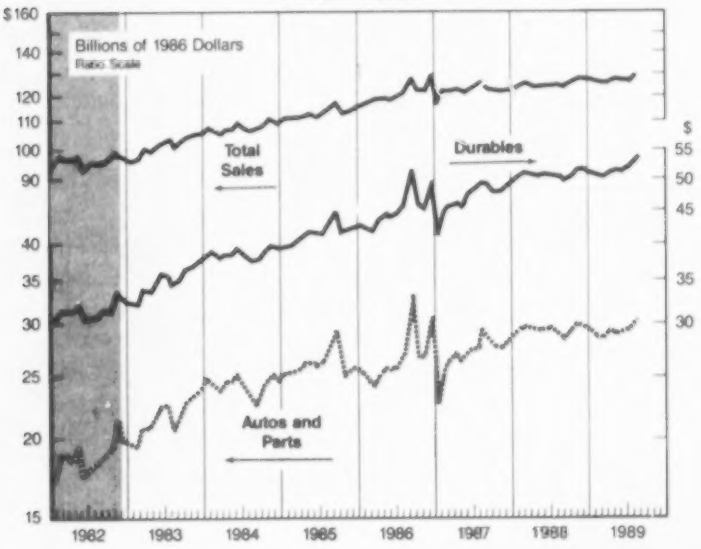
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



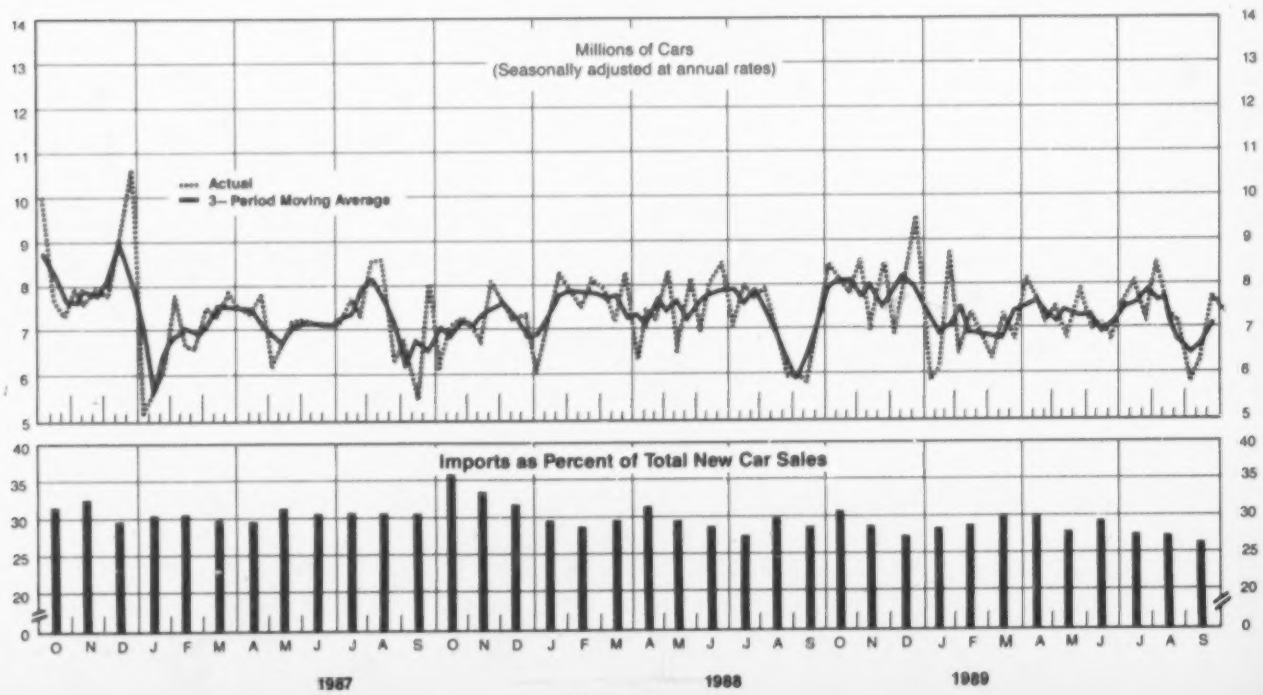
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	7.09
	21-30	8.39	7.09	8.48	6.74
July:	1-10	8.10	7.10	7.02	7.56
	11-20	7.28	7.68	7.99	8.03
	21-31	7.97	7.29	7.69	7.10
August:	1-10	7.63	8.55	7.95	8.46
	11-20	7.34	8.60	7.01	7.33
	21-31	8.08	6.26	5.92	7.15
September:	1-10	14.00	6.74	5.93	5.71
	11-20	8.83	5.45	5.80	6.33
	21-30	8.62	8.03	7.40	7.76
October:	1-10	10.04	6.13	8.43	7.30
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3– Period Moving Average
Imports as Percent of Total New Car Sales
O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
1987
1988
1989

R4125-3

STATISTICAL BULLETIN

Highlights

- LABOR MARKET SLOWLY COOLING
- CONSUMER SPENDING AND SPENDING POWER ARE MODERATING
- NEW ORDERS LEVEL OFF
- EXPORTS NOW FALLING
- INDUSTRIAL OUTPUT GROWTH IS WEAK AND CAPACITY UTILIZATION RATES ARE DECLINING.
- THE INFLATION WATCH: CONCERNS OVER HOURLY PAY-RATE HIKES
- OUTLOOK • U.S. ECONOMIC GROWTH HAS SLOWED TO ONLY ABOUT A 1.5% RATE IN THE FOURTH QUARTER OF 1989, AND IS LIKELY TO STAY THERE IN THE FIRST HALF OF NEXT YEAR.

Volume 22, No. 11, November, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy is now firmly on a noninflationary path. The 2.5% economic growth in the second and third quarters of 1989 has just about reached the limit, given population and productivity growth, at which the U.S. economy can operate without running into the inflation pressures that result when capacity utilization is strained. And, the consensus of the **Economic Forecasts** is that growth will average about 1/2% over the succeeding three quarters (or from now through mid-1990). So, the inflation worries will probably drop down another decibel or two.

Growth is slowing for four reasons: First, public demand is constrained by budget problems; second, and more worrisome, the decline in U.S. exports; third, new hiring is slowing, limiting the rise in consumer incomes—affecting the rise in consumer spending. Finally, after three years of increases, business profits are no longer rising sharply. Consequently, there is less internal funds growth available to pay for new plant and equipment. So, the surge in business investment is slowing. In all, these changes spell slower growth—but not recession—according to most of the **Economic Forecasts.**

DOMESTIC MARKET MONITOR

Labor market signals reflect the cooling that began this summer. This cooling is most pronounced in the industrial sector: Slight declines in employment were widely diffused in manufacturing industries in October—and not just limited to cuts related to scaled back auto production schedules. But, growth in the service sector is also cooling, especially in wholesale and retail trade and in financial services.

Yet the average hourly pay rates in private industry continued to rise in October — 1.2% over the latest two months. That suggests labor market conditions remain tight enough to drive up wages. Labor-force participation edged higher in October, perhaps in response to rising pay rates.

The outlook is for some gradual softening in the labor market over the next twelve months. The Conference Board's **Help-wanted Index,** a measure of labor demand, began edging lower in June as the strong uptrend in the labor market began to ease. More recently, want-ad volume has stabilized—early returns to the October survey suggest that job advertising volume remained steady. The consensus of the **Economic Forecasts** is that the unemployment rate may climb to about 5.6% in the first half of 1990. Thereafter, economic growth is expected to be strong enough to lower the unemployment rate, gradually returning the labor market to the tight conditions of the past two and a half years.

INCOME: Despite the rise in hourly pay rates, moderating employment growth is slowing the rise in income. Wages in the commodity-producing industry were 1% higher in September than three months earlier; wages in the "other industry" category were 1.9% higher. Moreover, slower employment growth in October probably narrowed the rise in wage income. But wage income growth is still relatively strong.

Consumer credit demand, which seemed to be strengthening in August, slowed in September, and probably remained sluggish in October. Nonauto borrowing shot up in August but fell in September—to below July's level. Auto loans slowed in September as sales tailed off when promotions ended. Car sales were no higher in October than in September.

Buoyant consumer attitudes has been a consistent factor in the long running expansion of consumer demand. The Conference Board's **Consumer Confidence Index** stood at 116.4 (1985 = 100) in October, no change from one month or one year earlier. The **Expectations Component,** which measures the appraisal of job and pay prospects for the next six months, was at 105.3 in October, marginally lower than one month or one year earlier. Consumer willingness to spend, and appraisal of near-term prospects, remain unshaken by earthquakes in California—or the stock market.

SPENDING: As evidenced by the attitude survey, consumers believe expansion will continue. But their actual spending growth, and borrowing pattern, suggest they are not embarking on open-ended shopping sprees. Retail sales of durable goods, except cars, were 1.6% higher in September than three months earlier. Total retail sales, except cars, were 0.9% higher.

Car buying trends reflect a degree of caution. Domestic **Automobile Sales** averaged 7.1 million units, seasonally adjusted annual rate, in October, compared with 6.6 million in September. Higher sticker prices for the new models and promotion-induced sales at the end of the old model year help explain the relatively modest level of sales. Add to that the sense of caution on overall spending and the near-term outlook is for continued modest car sales, a factor in the cutback in car production.

CONSTRUCTION: The rebound in the housing market took a breather in September. Single-family home sales dropped by 14% that month. Despite that, cutbacks in production helped reduce the inventory of unsold homes. Moreover, the rise in the median price of a new home has slowed—it was only 1.2% higher in September than it was last December. And mortgage rates are edging lower. Homebuilders are counting on that improved affordabili-

Ken Goldstein, Editor

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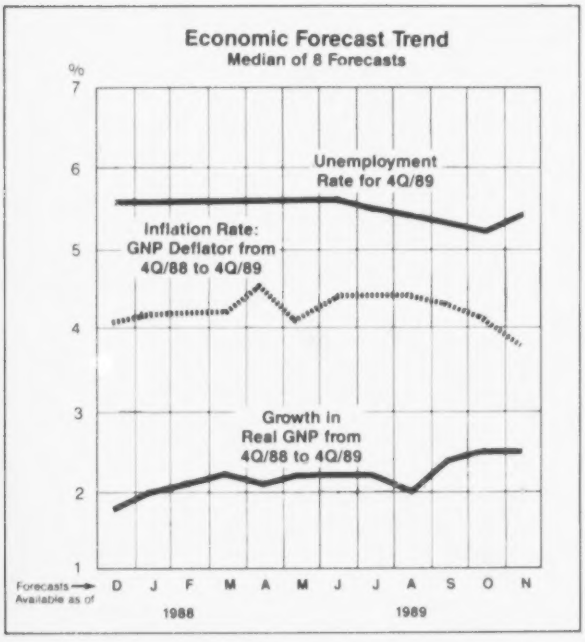


ty to keep the housing market from slumping again. As a result, construction employment and hours worked rose in October.

PRODUCTION: With growth in consumer demand, business investment, and export demand all cooling, production schedules are being kept lean. Output of consumer durable goods was 2% lower in September than three months earlier. Output of business equipment was flat, and defense- and space-related materiel declined by 0.3 percent. Overall, industrial production was only 0.2% higher. Given the modest declines in hours worked in manufacturing in October, industrial production probably declined slightly.

The good news is that lean production schedules are helping to ease the strain on capacity. The overall capacity utilization rate dipped to 83.6% in September, from 83.8% in each of the prior two months. In fact, the capacity utilization rate was lower in September than in January. This dip indicates an easing of inflationary pressure—a factor that may be convincing the financial markets to look for lower interest rates, especially if industrial production weakens further.

The lower numbers for new orders for durable goods suggest continued weakness in industrial production. Orders for durable goods, except transportation equipment, were 1.6% lower in September than three months earlier. And, the ratio of unfilled orders to shipments was 1.2% lower.

INVENTORY: By quickly adjusting production schedules to cooling demand, inventory accumulation has been limited. Total inventory, except cars at the retail level, was 1.5% higher in August than three months earlier. Still, the Inventory-to-Sales ratio was 2.2% higher than three months earlier.

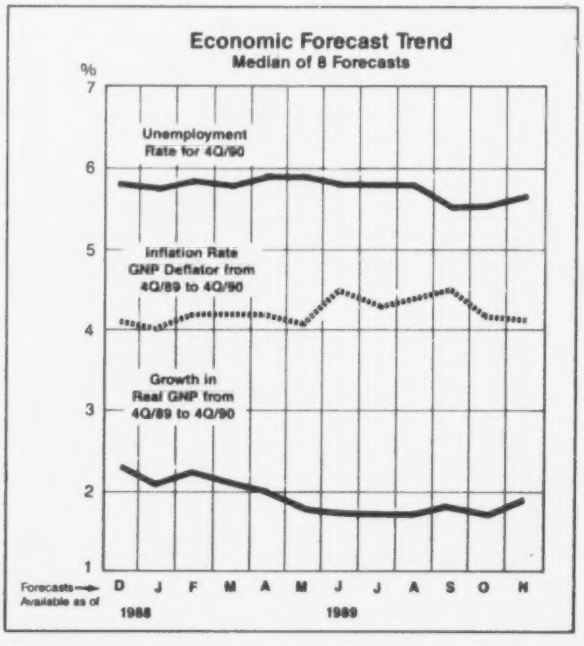
INFLATION: The consensus of the **Economic Forecasts** is that inflation as measured by the rise in the CPI will remain stable, at a 4 1/2% annual rate from the fourth quarter of 1989 through the forecast horizon. This is predicated on slowing economic growth. So far, the major concern is the rise in labor cost. Prices for raw industrial materials remained unchanged in October; but wholesale prices for crude materials, except food and energy, rose by 0.3 percent.

INTERNATIONAL MONITOR

The slowing pace of domestic demand is dampening demand for Imports. Total imports of manufactured goods were 1.2% higher in August than three months earlier. Imports of consumer goods, except cars, were 3.4% higher. Imports of industrial material fell 1.8%—reflecting the sluggish trend in industrial production. With slim prospect for faster production gains and cooling consumer demand, imports are likely to remain soft.

The U.S. economy is not alone in its cooling off. **Leading Business Cycle Indexes** for some of our major trading partners are declining (see the **Selected International Comparison** chart). U.S. exports to these countries have fallen. Exports of manufactured goods were 5.6% lower in August than three months earlier—limiting domestic output gains. With little change in the dollar and good prospects for lower interest rates, the **Domestic-International Discomfort Index (DIDI)** is on a slight uptrend. That could prove temporary since falling interest rates would exert downward pressure on the dollar.

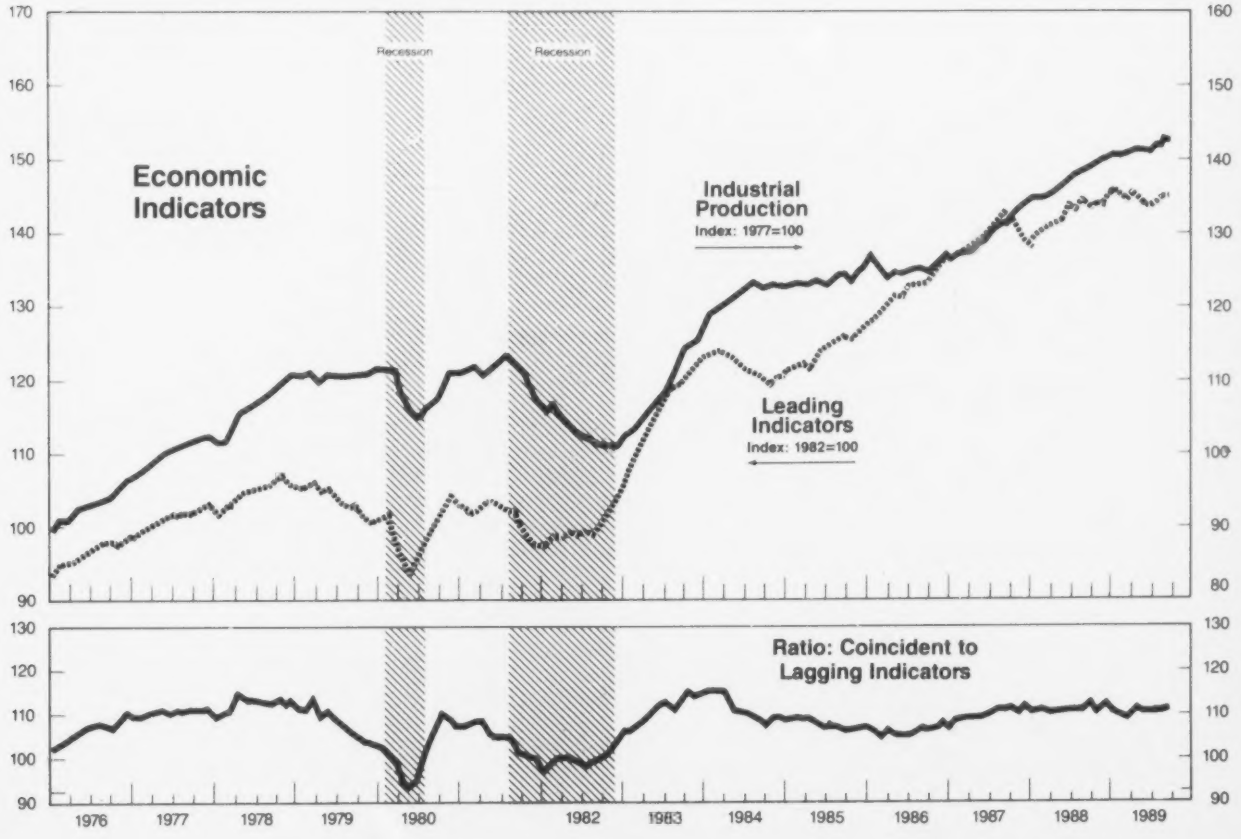
Ken Goldstein
October 13, 1989



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sep.	X			0.7%	0.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sep.			X	- 4.6%	5.2%
New orders, nondefense capital goods (deflated)	Aug.		X		1.1%	- 4.9%
New business formation	Aug.			X	- 0.5%	1.2%
*Housing permits	Sep.		X		- 1.0%	- 9.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sep.		X		0.3%	- 0.9%
*Change in unfilled orders, mfg.	Sep.			X	-40.0%	-37.4%
Purchasing manager's buying policy	Sep.			X	- 4.2%	- 8.0%
*Vendor performance, reported slower deliveries	Sep.			X	- 7.8%	-20.5%
Industrial raw materials prices	Sep.		X		- 0.6%	6.7%
*Change in sensitive material prices	Sep.			X	- 0.6%	- 0.9%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sep.	X			1.8%	- 0.4%
Change in business loans	Aug.			X	- 33.1%	470.9%
*Consumer expectations	Oct.	X			2.0%	0.2%
Change in consumer installment debt	Aug.		X		-17.7%	-36.3%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	- 9.7%	- 9.6%
*Common stock prices	Oct.	X			5.3%	26.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.			X	- 0.2hr	- 0.3hr
*Initial unemployment claims (inverted)	Sep.	X			2.4%	-10.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



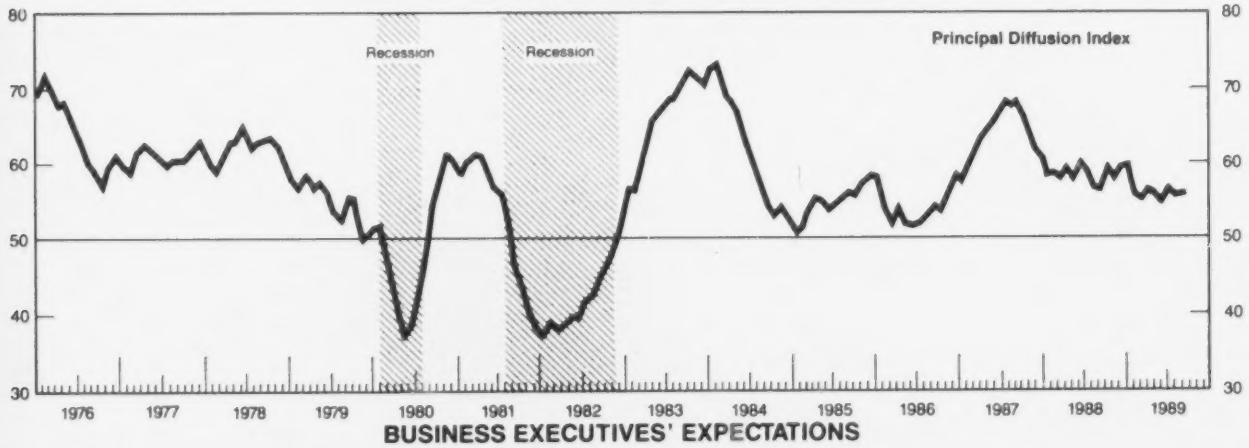
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1988 Sep.	1989 June	Jul.	Aug.	Sep.(e)
Principal Diffusion Index	57.0	54.5	55.7r	52.2r	55.8
Auxillary Diffusion Index	48.9	45.0	53.8r	48.4r	51.9
Industrial Group	56.3	51.1	51.3r	51.7r	51.2
Nonindustrial Group	57.7	57.9	60.0	58.7	60.4
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	59.4	64.5	59.4r	60.3r	65.8
Labor	55.3	41.2	45.0	42.3r	38.2
Miscellaneous	54.5	55.8	55.1	62.2	61.5
Nonindustrial Subgroups					
Prices	43.6	58.3	58.3	57.7	56.4
Consumer	62.4	59.4	60.3	66.2	66.7
Building	56.4	53.8	53.2	45.5	45.5
Miscellaneous	63.2	59.0	65.4	60.7	66.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986	*1987*				*1988*				*1989*		
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	51	55	55	59	47	51	58	56	51	48	48	49
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	50	56	55	62	50	49	64	65	54	52	48	47
2. Expectations for Economy, Six Months Ahead	51	54	53	56	43	50	54	51	48	43	47	48
3. Expectations for Own Industry, Six Months Ahead	53	56	56	58	48	54	55	53	51	48	50	51

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Capital Markets		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Oct., 1989*		*Oct., 1989*		*Oct., 1989*		*Oct., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**III**	**$5273.2**	**5.6%**	**$5273.2**	**5.6%**	**$5273.2**	**5.6%**	**$5273.2**	**5.6%**
Forecast	1989	IV	5262.2	6.9	5333.2	4.6	5338.9	5.1	5334.5	4.7
	1990	I	5421.6	4.5	5409.4	5.8	5404.4	5.0	5416.8	6.3
		II	5506.7	6.6	5500.8	6.9	5470.3	5.0	5501.3	6.4
		III	5606.6	7.3	5590.4	6.7	5549.8	5.9	5590.2	6.6
		IV	5705.1	7.2	5692.8	7.5	5639.2	6.6	5684.4	6.9
	1991	I	5808.1	7.4	5792.5	7.2	5736.0	7.0	5789.6	7.6
		II	5908.7	7.1			5838.9	7.4	5879.8	6.4
		III	6010.4	7.1			5946.9	7.6		
		IV	6112.3	7.0			6057.3	7.6		
	1989	Annual	5237.5	7.3	5230.3	7.2	5231.7	7.2	5230.6	7.2
	1990	Annual	5560.5	6.2	5548.4	6.1	5515.9	5.4	5548.2	6.1
	1991	Annual	5959.9	7.2			5894.8	6.9		
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**III**	**$4158.1**	**2.5%**	**$4158.1**	**2.5%**	**$4158.1**	**2.5%**	**$4158.5**	**2.5%**
Forecast	1989	IV	4177.0	1.8	4172.8	1.4	4171.0	1.2	4170.8	1.2
	1990	I	4168.9	-0.8	4187.5	1.4	4183.0	1.2	4189.3	1.8
		II	4190.9	2.1	4212.8	2.4	4195.0	1.2	4205.9	1.6
		III	4226.9	3.5	4240.0	2.6	4214.0	1.8	4228.6	2.2
		IV	4261.4	3.3	4265.2	2.4	4240.0	2.5	4254.8	2.5
	1991	I	4282.2	2.0	4291.6	2.5	4271.0	3.0	4275.9	2.0
		II	4313.3	2.9			4306.0	3.3	4291.8	1.5
		III	4339.2	2.4			4344.0	3.6		
		IV	4365.8	2.5			4383.0	3.6		
	1989	Annual	4143.6	3.0	4142.6	2.9	4142.1	2.9	4142.1	2.8
	1990	Annual	4212.0	1.7	4226.4	2.0	4208.0	1.9	4219.7	0.9
	1991	Annual	4325.1	2.7			4326.0	2.8		
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**III**	**126.8**	**3.0%**	**126.8**	**3.0%**	**126.8**	**3.0**	**126.8**	**3.0%**
Forecast	1989	IV	128.4	5.0	127.8	3.2	128.0	3.8%	127.9	3.5
	1990	I	130.0	5.3	129.2	4.4	129.2	3.8	129.3	4.4
		II	131.4	4.4	130.6	4.4	130.4	3.8	130.8	4.7
		III	132.6	3.7	131.8	4.0	131.7	4.0	132.2	4.4
		IV	133.9	3.8	133.5	5.0	133.0	4.0	133.6	4.3
	1991	I	135.6	5.3	135.0	4.6	134.3	4.0	135.4	5.5
		II	137.0	4.1			135.6	3.9	137.0	4.8
		III	138.5	4.5			136.9	3.9		
		IV	140.0	4.4			138.2	3.9		
	1989	Annual	126.4	4.2	126.3	4.1	126.3	4.1	126.3	4.1
	1990	Annual	132.0	4.4	131.3	4.0	131.1	3.8	131.5	4.1
	1991	Annual	137.8	4.4			136.2	3.9		
Unemployment Rate										
Actual	**1989**	**III**		**5.2%**		**5.2%**		**5.2%**		**5.2%**
Forecast	1989	IV		5.3		5.4		5.4		5.3
	1990	I		5.6		5.5		5.6		5.4
		II		5.8		5.6		5.7		5.4
		III		5.8		5.5		5.8		5.5
		IV		5.7		5.5		5.8		5.5
	1991	I		5.6		5.5		5.7		5.5
		II		5.5				5.6		5.5
		III		5.4				5.5		
		IV		5.3				5.3		
	1989	Annual		5.2		5.3		5.3		5.2
	1990	Annual		5.7		5.5		5.7		5.5
	1991	Annual		5.5				5.5		

Notes: Percentage changes represent compound annual rates of change from perceding period. Quarterly data are seasonally adjusted.

[2]Based on preliminary third quarter data.

ECONOMIC FORECASTS (continued)

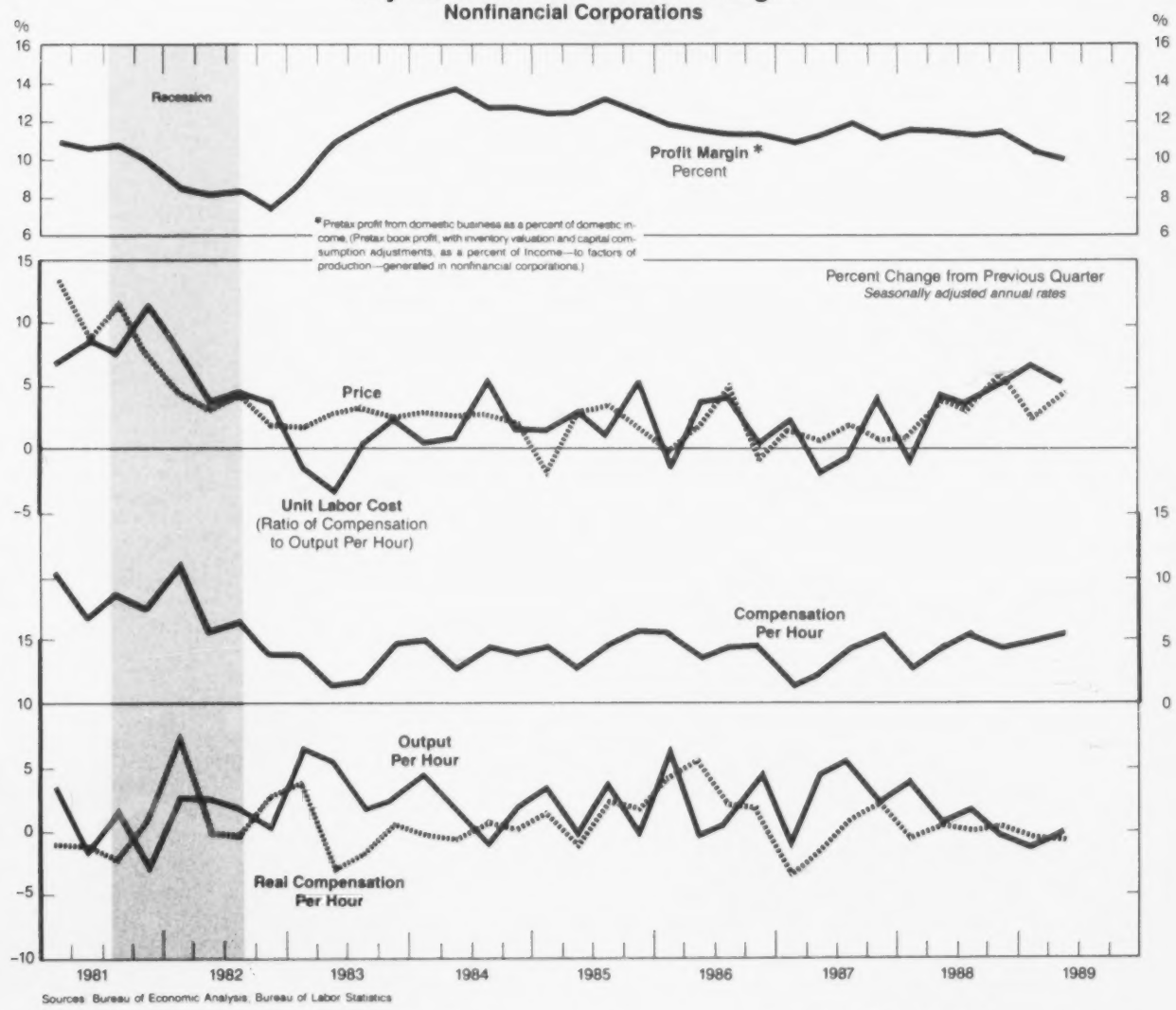
The Conference Board[2]		Laurence H. Meyer[2] Associates, Inc.		Data Resources Inc.[3]		Wharton E.F.A. Inc.[2]				
Oct., 1989		Oct., 1989		Oct., 1989		Oct., 1989		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$5273.2	**5.6%**	**$5273.2**	**5.6%**	**$5273.2**	**5.6%**	**$5273.2**	**5.6%**	**III**	**1989**	**Actual**
5323.0	3.8	5343.5	5.4	5322.4	3.8	5360.5	6.8	IV	1989	Forecast
5353.0	2.3	5422.0	6.0	5394.2	5.5	5448.9	6.8	I	1990	
5415.0	4.7	5493.3	5.4	5469.9	5.7	5533.6	6.4	II		
5500.0	6.4	5565.0	5.3	5543.7	5.5	5624.9	6.8	III		
5591.0	6.8	5638.9	5.4	5625.4	6.0	5717.8	6.8	IV		
		5729.0	6.5	5733.6	7.9	5822.4	7.5	I	1991	
		5817.5	6.3	5835.3	7.3	5924.8	7.2	II		
		5905.6	6.2	5934.0	6.9	6029.8	7.3	III		
		5990.3	5.9	6030.7	6.7	6134.3	7.1	IV		
5227.8	7.1	5232.9	7.2	5227.6	7.1	5237.1	7.3	Annual	1989	
5464.8	4.5	5529.8	5.7	5508.3	5.4	5581.3	6.6	Annual	1990	
		5860.6	6.0	5883.4	6.8	5977.8	7.1	Annual	1991	
								Gross National Product Billions of Constant (1982) Dollars		
$4158.1	**2.5%**	**$4158.1**	**2.5%**	**$4158.1**	**2.5%**	**$4159.1**	**2.5%**	**III**	**1989**	**Actual**
4158.6	0.0	4174.6	1.6	4165.9	0.8	4175.6	1.7	IV	1989	Forecast
4146.1	-1.2	4189.1	1.4	4180.0	1.4	4192.7	1.6	I	1990	
4159.0	1.3	4205.9	1.6	4196.6	1.6	4210.8	1.7	II		
4182.7	2.3	4223.0	1.6	4214.2	1.7	4241.0	2.9	III		
4210.1	2.6	4241.9	1.8	4239.1	2.4	4269.4	2.7	IV		
		4267.2	1.8	4275.2	2.4	4290.9	2.7	I	1991	
		4295.2	2.4	4308.0	3.5	4322.6	2.0	II		
		4322.2	2.7	4337.4	3.1	4350.2	3.0	III		
		4346.1	2.5	4364.3	2.8	4377.9	2.6	IV		
4139.0	2.8	4143.0	2.9	4140.8	2.9	4143.3	3.0	Annual	1989	
4174.5	0.9	4215.0	1.7	4207.5	1.6	4228.5	2.1	Annual	1990	
		4307.7	2.2	4321.2	2.7	4335.4	2.5	Annual	1991	
								Gross National Product deflator Index, 1982 = 100		
126.8	**3.0%**	**126.8**	**3.0%**	**126.8**	**3.0%**	**126.8**	**3.0%**	**III**	**1989**	**Actual**
128.0	3.8	128.0	3.8	127.8	3.0	128.4	5.0	IV	1989	Forecast
129.1	3.5	129.4	4.5	129.0	4.1	130.0	5.0	I	1990	
130.2	3.4	130.6	3.7	130.3	4.1	131.4	4.5	II		
131.5	4.0	131.8	3.6	131.5	3.8	132.6	3.8	III		
132.8	4.0	132.9	3.6	132.7	3.6	133.9	4.0	IV		
		134.3	4.0	134.1	4.3	135.7	5.4	I	1991	
		135.4	3.6	135.5	4.1	137.1	4.1	II		
		136.6	3.6	136.8	4.1	138.6	4.6	III		
		137.8	3.6	138.2	4.1	140.1	4.4	IV		
126.3	4.1	126.3	4.1	126.2	4.1	126.4	4.2	Annual	1989	
130.9	3.6	131.2	3.9	130.9	3.7	132.0	4.4	Annual	1990	
		136.0	3.7	136.1	4.0	137.9	4.5	Annual	1991	
								Unemployment Rate		
	5.2%		**5.2%**		**5.2%**		**5.2%**	**III**	**1989**	**Actual**
	5.5		5.4		5.4		5.3	IV	1989	Forecast
	5.8		5.4		5.4		5.5	I	1990	
	5.9		5.5		5.5		5.6	II		
	5.8		5.6		5.5		5.6	III		
	5.6		5.6		5.6		5.5	IV		
			5.7		5.5		5.5	I	1991	
			5.6		5.5		5.4	II		
			5.6		5.4		5.3	III		
			5.5		5.3		5.2	IV		
	5.3		5.3		5.3		5.2	Annual	1989	
	5.8		5.5		5.5		5.5	Annual	1990	
			5.6		5.4		5.3	Annual	1991	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

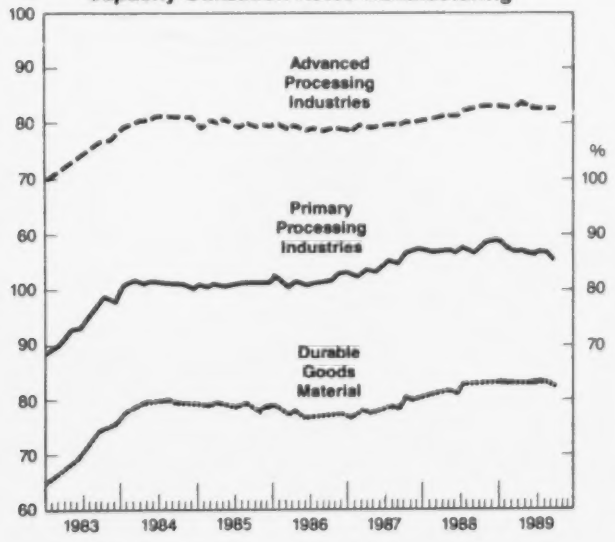
Key Determinants of Profit Margin

Nonfinancial Corporations



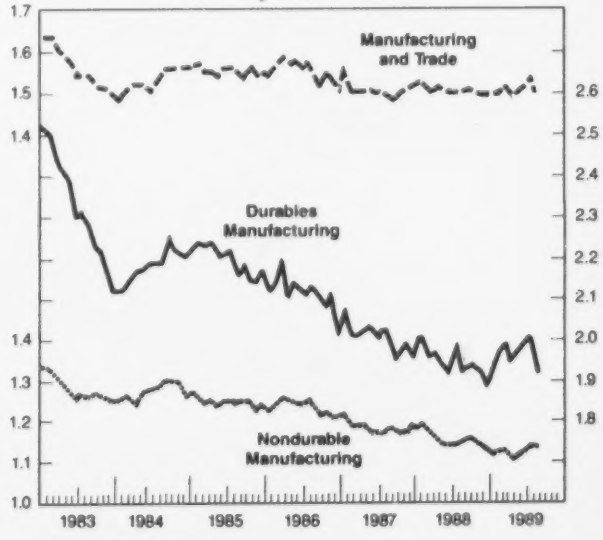
Sources: Bureau of Economic Analysis; Bureau of Labor Statistics

Capacity Utilization Rates Manufacturing



Source: Federal Reserve Board

Inventory-Sales Ratios

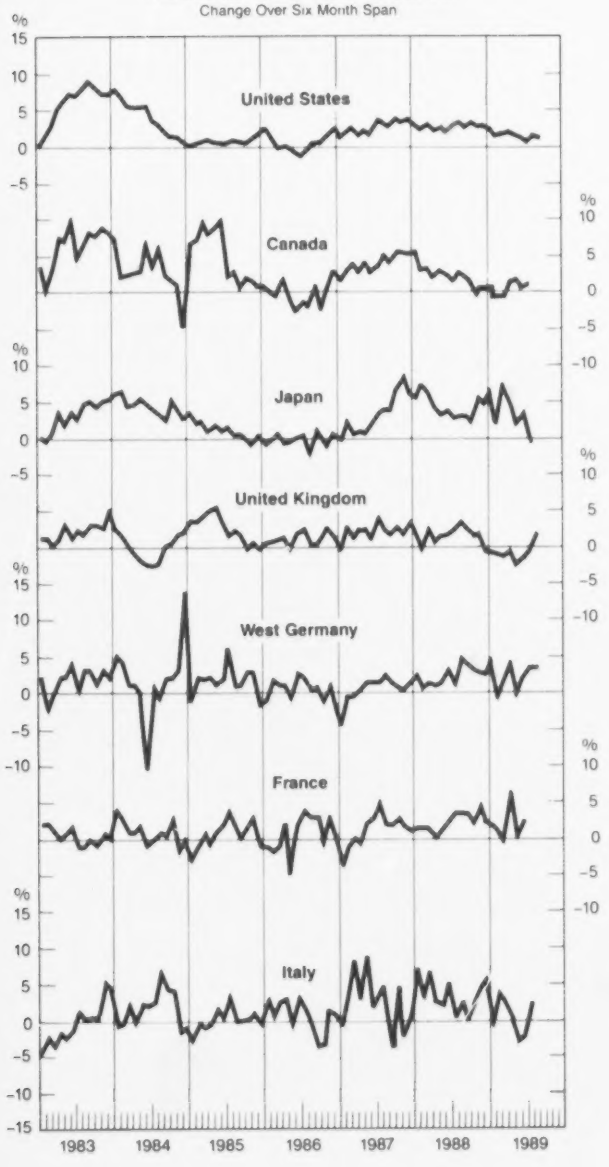


Source: Bureau of Economic Analysis

Selected International Comparisons

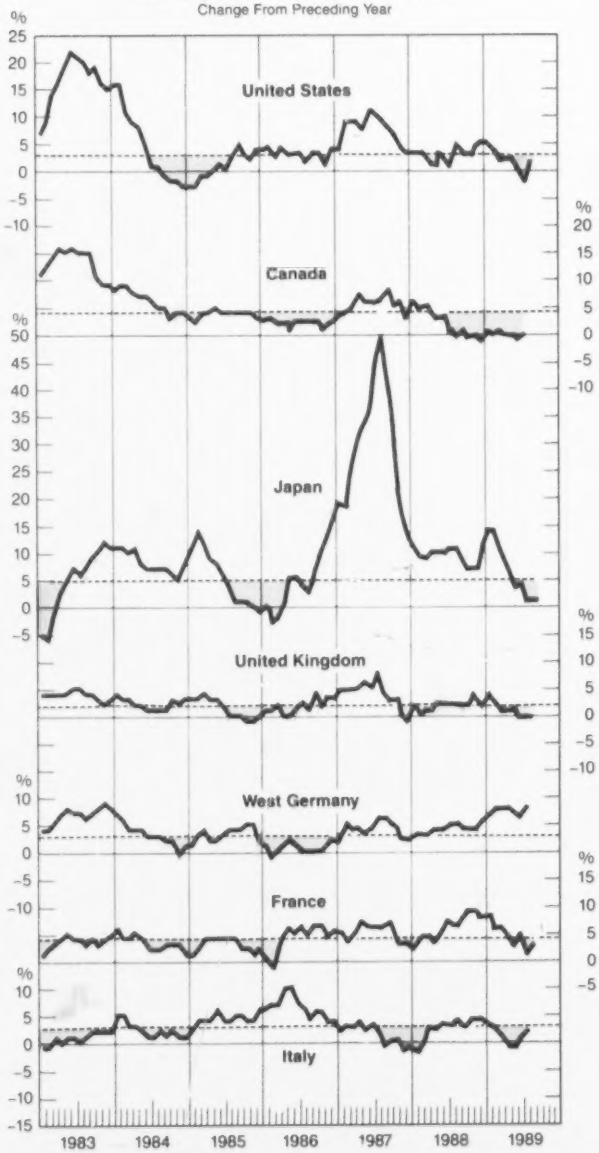
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

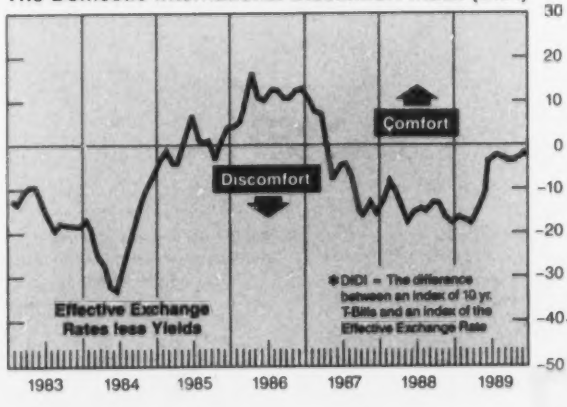
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

Sources: Morgan Guaranty Trust Company; Department of Treasury; *The Sommers Letter*

The Domestic-International Discomfort Index (DIDI)*



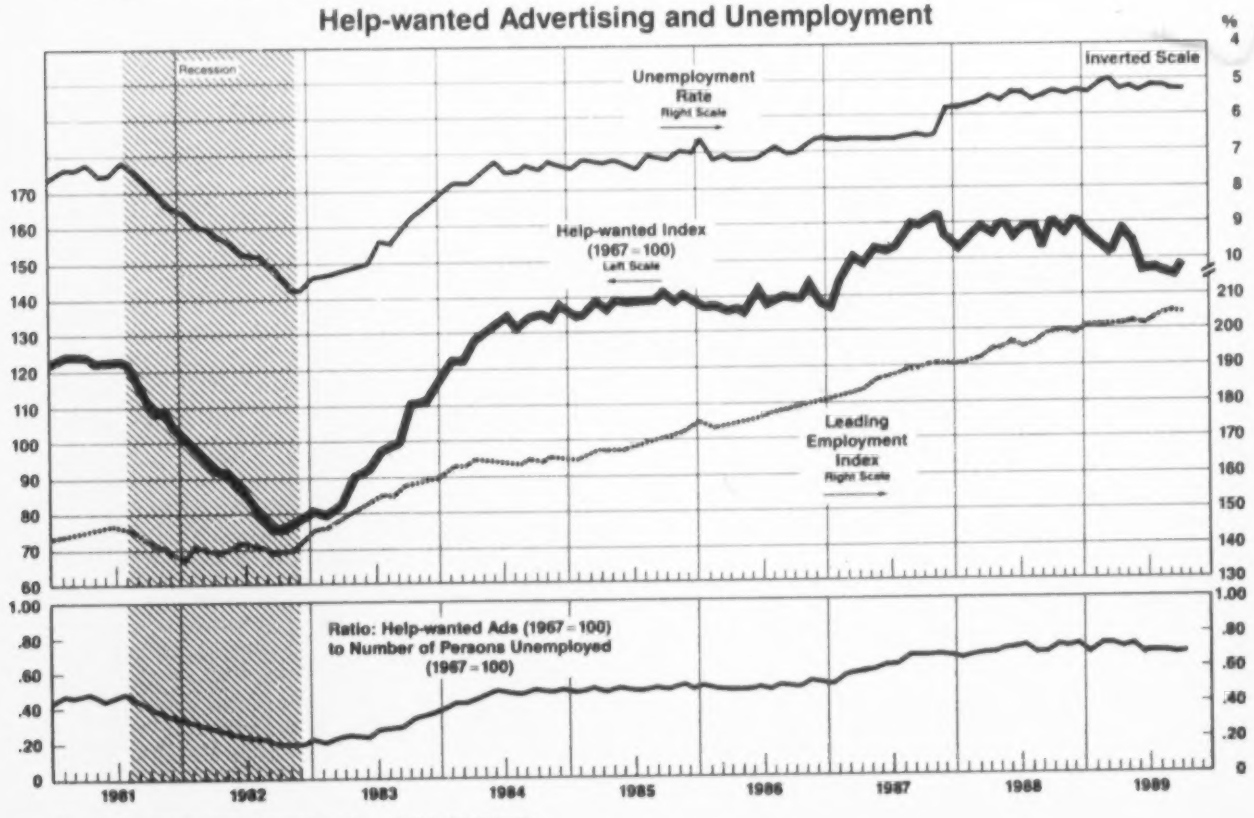
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 Sep.	1989 Aug.	1989 July	1988 Sep.
National Index	146	147r	150	154
New England	99	100	109	141
Boston	94	97	107	133
Hartford	106	104	111	149
Providence	110	109	115	159
Middle Atlantic	73	74	76	85
Albany	173	184	156	239
Allentown	345	330	339	395
New York	47	48	49	56
Philadelphia	58	62	66	68
Pittsburgh	97	98	102	100
Rochester	94	85	97	91
Syracuse	155	151	151	171
East North Central	98	99	103	105
Chicago	98	99	105	110
Cincinnati	160	150	159	179
Cleveland	70	74	79	71
Columbus	164	174	178	171
Dayton	87	87	90	92
Detroit	52	54	56	58
Gary	230	221	226	197
Indianapolis	135	137	128	129
Milwaukee	73	74	72	88
Toledo	120	126	131	140
West North Central	93	98	99	94
Kansas City	120	129	125	118
Minneapolis	79	88	90	86
Omaha	185	171	182	168
St. Louis	67	69	69	68
South Atlantic	175	174r	184	214
Atlanta	218	218	230	256
Baltimore	166	159	170	266
Charlotte	184	191	188	207
Jacksonville	213	212	216	231
Miami	154	158r	149	172
Richmond	141	143r	148	139
Washington, D.C.	162	160r	182	189
East South Central	189	184	173	189
Birmingham	202	196	179	195
Knoxville	336	333	318	322
Louisville	N.A.	N.A.	N.A.	107
Memphis	143	140	139	140
Nashville	249	236	224	257
West South Central	213	181r	203	174
Dallas	146	145	146	145
Houston	358	269	323	255
New Orleans	140	130	144	126
Oklahoma City	123	120	127	116
San Antonio	153	136	148	142
Tulsa	169	169r	174	145
Mountain	309	316	311	304
Denver	213	217	219	202
Phoenix	381	375	364	401
Salt Lake City	395	425	417	366
Pacific	251	268r	261	253
Los Angeles	164	174	166	165
Sacramento	556	525	515	522
San Bernardino	327	327r	321	313
San Diego	643	678	670	571
San Francisco	N.A.	260	252	262
Seattle	305	292	294	267
Percentage of papers with rising volume	53	35	63	20
Unemployment rate	5.3	5.2	5.2	5.4

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6	116.7	117.2	120.4	115.4	116.3r	116.4p		

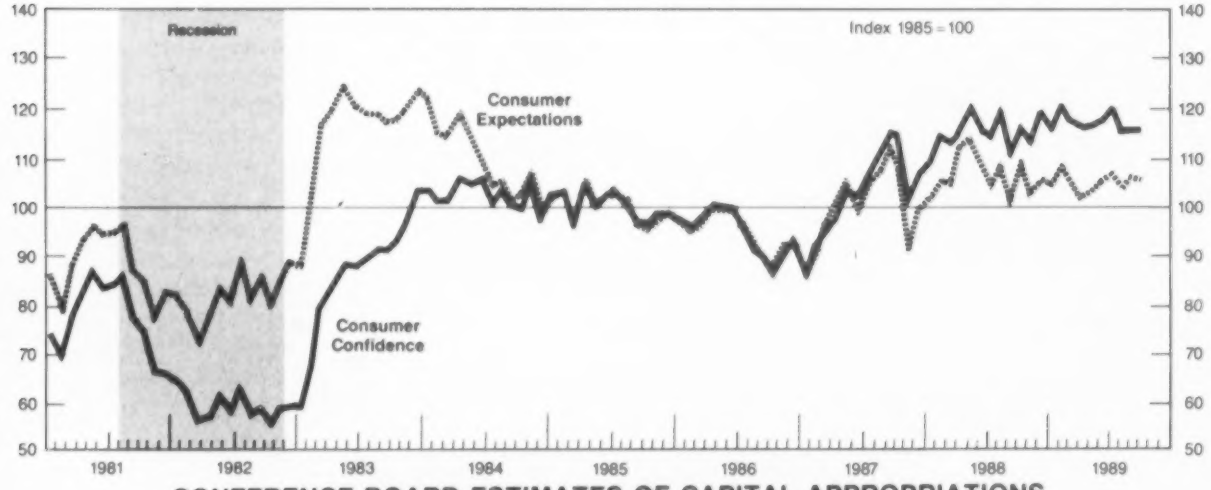
Expectations Index

1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8	103.0	105.1	106.6	103.7	106.1r	105p		

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS

Billions of Dollars, Seasonally Adjusted

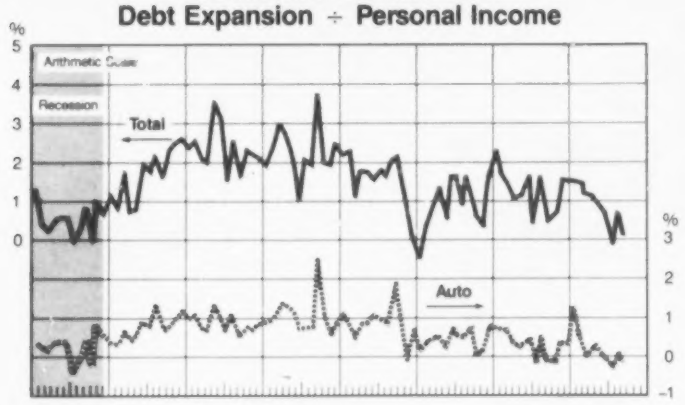
	1987			1988				Percent Change From Previous Year	
	III-87	IV-87	I-88	II-88	III-88	IV-88(r)	I-89(p)	Actual 1988	Estimate 1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.561	35.909	30.846	40.686	40.384	45.279	50.009	39%	16%
Capital expenditures	27.381	29.820	29.412	31.718	36.037	35.281	35.331	33	18
Change in appropriations backlog*	-0.080	3.510	0.650	8.760	-4.110	8.630	14.340		
Durable Goods									
New appropriations	17.208	20.245	14.310	20.261	20.791	23.547	18.129	27	14
Capital expenditures	13.970	16.037	15.780	16.910	19.526	16.657	17.032	31	28
Change in appropriations backlog*	2.930	3.810	-1.600	3.670	-1.080	6.240	1.340		
Nondurable Goods									
New appropriations	12.353	15.664	16.536	20.425	19.593	21.732	31.880	52	17
Capital expenditures	13.411	13.783	13.632	14.808	16.511	18.624	18.299	35	12
Change in appropriations backlog*	-3.010	-0.300	2.250	5.090	-3.030	2.390	13.010		

Available on request: Historical data from 1953, and quarterly reports containing text and data for 17 separate manufacturing industries.

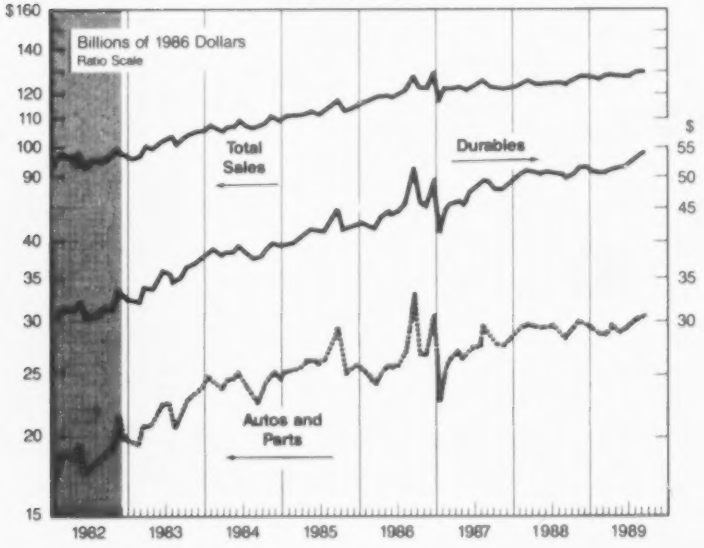
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



Sources: Bureau of Economic Analysis, Federal Reserve Board

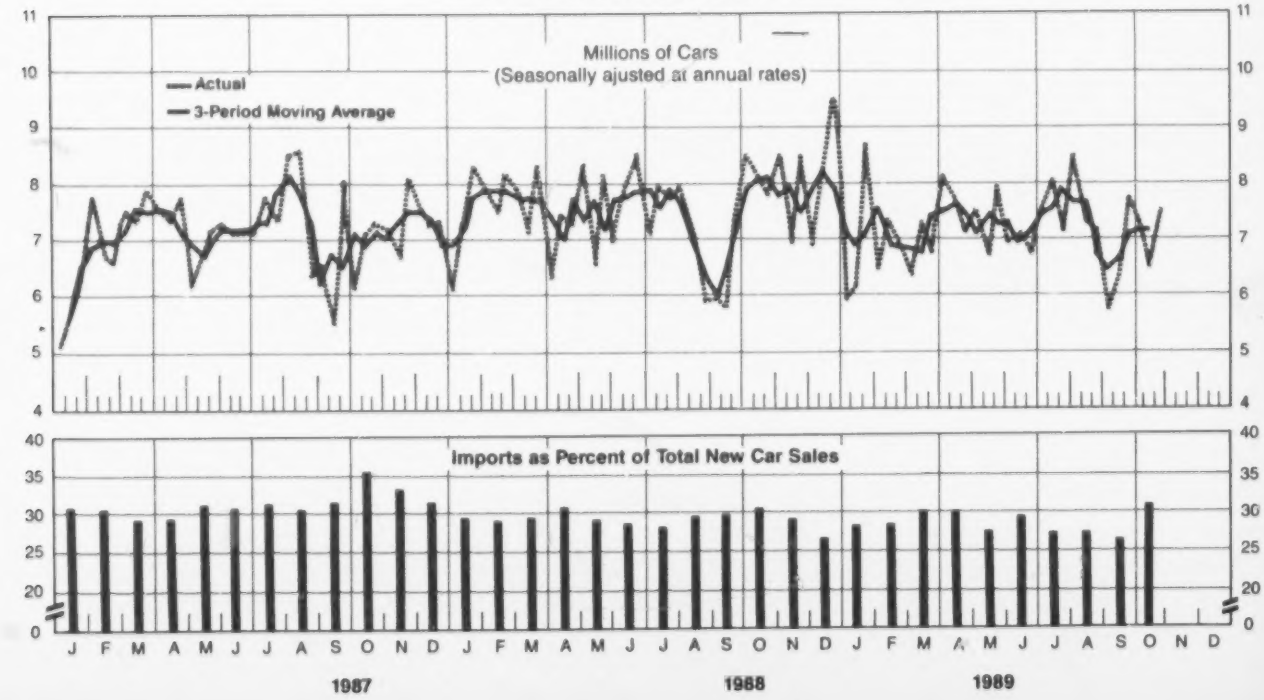
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	7.09
	21-30	8.39	7.09	8.48	6.74
July:	1-10	8.10	7.10	7.02	7.56
	11-20	7.28	7.68	7.99	8.03
	21-31	7.97	7.29	7.69	7.10
August:	1-10	7.63	8.55	7.95	8.46
	11-20	7.34	8.60	7.01	7.33
	21-31	8.08	6.26	5.92	7.15
September:	1-10	14.00	6.74	5.93	5.71
	11-20	8.83	5.45	5.80	6.33
	21-30	8.62	8.03	7.40	7.76
October:	1-10	10.04	6.13	8.43	7.30
	11-20	7.67	7.10	8.08	6.48
	21-31	7.27	7.24	7.78	7.51
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally ajusted at annual rates)
Actual
3-Period Moving Average
Imports as Percent of Total New Car Sales
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1987
1988
1989

R4105-3

STATISTICAL BULLETIN

Highlights

- LABOR MARKET STILL SHOWS SOME SIGNS OF STRENGTH
- CONSUMER SPENDING POWER MODERATING
- CONSUMER SPENDING STILL STRONG
- NEW ORDERS PICKING UP
- EXPORTS NOW FALLING
- INDUSTRIAL OUTPUT AND CAPACITY UTILIZATION ARE DECLINING
- ON THE INFLATION WATCH: PRESSURE DAMPENED AT THE MOMENT
- OUTLOOK • U.S. ECONOMIC GROWTH HAS SLOWED TO ONLY ABOUT A 1% RATE IN THE FOURTH QUARTER OF 1989, BUT THE PACE MAY STRENGTHEN TO ABOUT 1.5% IN THE FIRST HALF OF NEXT YEAR.

Volume 22, No.12, December, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The consensus of the **Economic Forecasts** is that economic growth will be higher in the first quarter of the new decade than in the last quarter of the old decade. For one thing, another Hurricane Hugo is unlikely to strike in early 1990 and another strong earthquake is unlikely to hit California so soon. Perhaps more importantly, the slowing pace of U.S. business activity relieves upward pressure on domestic prices and throws the big market economies out of sync. That, in turn, may set the stage for lower interest rates, and perhaps even a slight devaluing of the dollar. Thus strong growth abroad, and improving terms of trade, may boost export growth.

In addition, consumer spending and attitudes remain convincingly strong. In fact, the housing market in particular appears to be strengthening at the moment and will benefit further if interest rates do fall. Another significant factor at the moment is the lack of any inventory overhang. Any pickup in demand, then, will lead to production growth.

DOMESTIC MARKET MONITOR

Labor market signals reflect continued softening, with some surprises. But it is no surprise that manufacturing employment declines through November are the most pronounced sign of labor weakness. Historically, that is the sector most affected by changes in the economic environment. Job growth in the service sector, conversely, has not slowed and construction employment has risen slightly.

Hours worked and average hourly pay in private industry also declined in November. The latter reflects a softer labor market, which is no longer driving up the labor costs. But curiously, labor-force participation continues to rise. That more people are starting to look for work suggests a measure of confidence in near-term prospects.

The outlook is for continued labor market softening through mid-1990, but no recession. The Conference Board's **Help-wanted Index** was fairly steady over the last four months; but, early returns to the November survey show a sizable decline. Nevertheless, the consensus of the **Economic Forecasts** is that the unemployment rate, up a notch to 5.4% in November from 5.3% in October, may rise to about 5.7% by mid-1990. By then, the economy should be growing fast enough to allow unemployment to slowly decline, perhaps returning to 5.3% by the fourth quarter of 1991.

INCOME: Slowing job growth, declining hours worked, and moderating hourly pay, will all result in a slower pace of income growth. But that would only mean a change from quite robust to more moderate income growth. Wages in commodity-producing industry were 1.9% higher in October than three months earlier; wages in the "other industry' category were 2.2% higher. Even taking into account some slowing in those rates, income growth appears to be sufficient to allow consumer spending to rise at a moderate pace—a crucial factor in a no-recession scenario for 1990.

Nonwage income growth is already modest, largely because of the continued decline in rental income. Interest income and dividends are rising at about the same pace as wage income, although a drop in interest rates would diminish that somewhat.

Consumer credit demand shows no sign of letup. To be sure, auto loans have risen and fallen—of late more falling—in line with the trend in car sales. But nonauto borrowing through October was actually stronger than it was a year ago. Moreover, a growing share of consumer borrowing is not tied to fixed-rate borrowing—like credit card usage. Thus, there is some rise in interest-rate sensitivity at a time when rates might very well come down.

Despite some softening, consumer attitudes remain remarkably upbeat. The Conference Board's **Consumer Confidence Index** fell to 114.3 (1985 = 100) in November, from 117 in October. The **Expectations Component,** which measures appraisal of job and pay prospects over the next six months, was at 102.9 in November, compared with 106.4 in October. This represents the second drop in the last four months. Still, consumer attitudes remain close to their respective year-ago levels—seemingly validating the positive picture suggested by continued consumer borrowing and by the sizable rise in new jobsearchers.

SPENDING: Rising consumer buying remains the backbone of the ongoing expansion. Retail sales of durable goods, except cars were 1.6% higher in October than three months earlier. With confidence still high, and income still rising, spending does not appear poised for a downturn, and neither, therefore, does the economy in general.

Sluggish car buying remains the exception. New domestic **Automobile Sales** averaged 6.8 million units, seasonally adjusted annual rate, in November, not much better than the 6.6 million rate in September. In fact, the disappointing sales pace is resulting in scheduled production declines and layoffs. Nor is there much chance, even with an interest rate decline, of car buying to strengthen significantly.

CONSTRUCTION: The housing market is no longer slumping. New, single-family home sales and starts were unchanged in October. The rise in construction jobs in November, however, does suggest that some increase in homebuilding occurred. Mortgage rates are inching lower

Ken Goldstein, Editor

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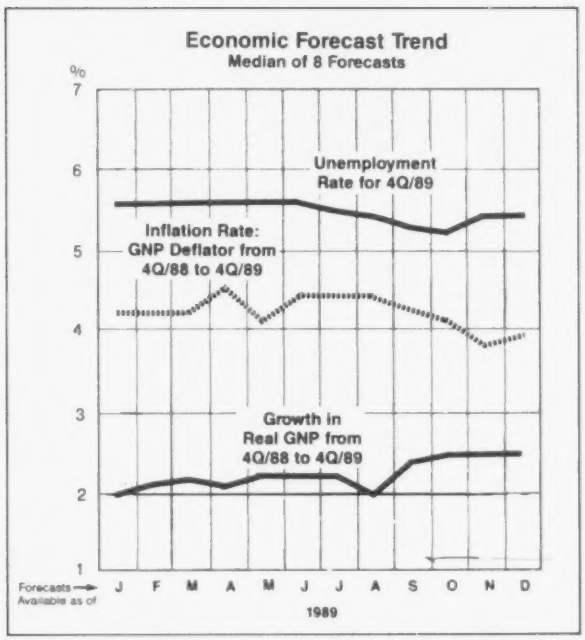


but the median price of a new home is not. That rise in home prices may prove to be the biggest impediment to a housing-market recovery. Still, the housing-market slump appears to have run its course.

Those added workers may be engaged in nonresidential construction activity. Office, commercial, and industrial building were higher in October than three months earlier. Pouring new cement is not usually viewed as a sign of impending recession.

PRODUCTION: Output is declining, and production schedules are being trimmed as exports and business investment, but not consumer spending, soften. Output of consumer durable goods was 2% lower in October than three months earlier. Output of business equipment was 1.5% lower while defense- and space-related materiel declined by 3.2 percent. Overall, industrial production was only 0.4% higher. Given the decline in jobs and hours worked in manufacturing in November, industrial production probably edged lower again.

Declining production has eased the strain on capacity. The overall capacity utilization rate has been declining since April, when it was at 84.2 percent. It was down to 82.8% in October. This easing of the strain on capacity is one indication that inflation pressures are not building and a big reason why the financial markets expect lower interest rates.

The ongoing decline in production probably will not steepen. New orders for durable goods, except transportation equipment, were only 0.2% higher in October than in August. But that slight rise in orders, together with curtailed production, resulted in a 1.5% rise in the ratio of unfilled orders to shipments over the last two months. Unless orders start to fall sharply, then, production to fill new or unfilled orders will keep output from declining sharply.

INVENTORY: Recent cuts in production have also limited unintended inventory buildup. Total inventory, except cars at the retail level, was 1.1% higher in September than three months earlier. But that merely kept pace with the rise in sales. The Inventory-to-Sales ratio, then, was essentially unchanged. The decline in production in October, and probably in November, may have resulted in some inventory cut.

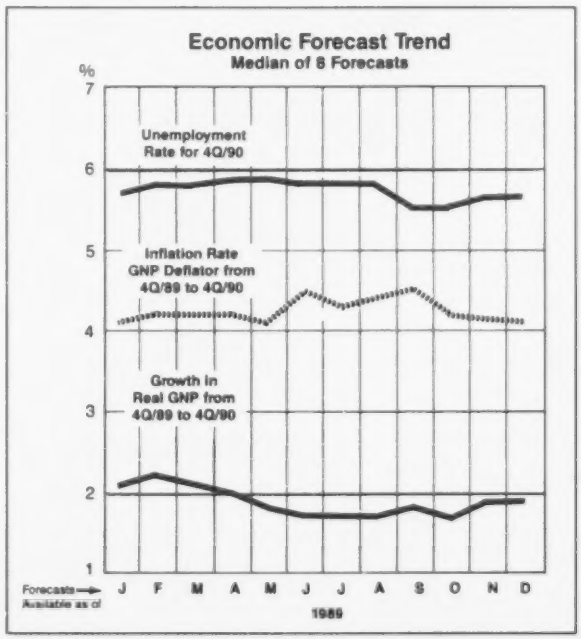
INFLATION: The consensus of the **Economic Forecasts** is that the CPI will rise at about a 4 1/2% annual rate in the first half of 1990. In other words, the outlook is not for escalating inflation. Hourly pay rates are rising slowly, suggesting that labor-cost increases are not quickening. Raw industrial-material prices fell in November for the second month. And wholesale prices for crude materials, except food and energy, rose by 0.3% in October and September.

INTERNATIONAL MONITOR

Imports of manufactured goods mirror the overall domestic economy: Some rise in consumer goods but elsewhere declines. Despite a 6% rise in consumer goods, total imports of manufactured goods were 4.3% lower in September than three months earlier. Specifically, the sizable decline in raw industrial material mirrors the overall cut in domestic industrial production.

One puzzle is why have exports declined. Total exports of manufactured goods were 2.4% lower in September than three months earlier. But the **Leading Economic Indicators** of some of the U.S. trading partners are rising (see the **Selected International Comparison** chart). Specifically, total exports to Canada and Japan have been declining in recent months. But those trends may prove short-lived —indeed, exports to Canada rose in September.

Ken Goldstein
December 11, 1989

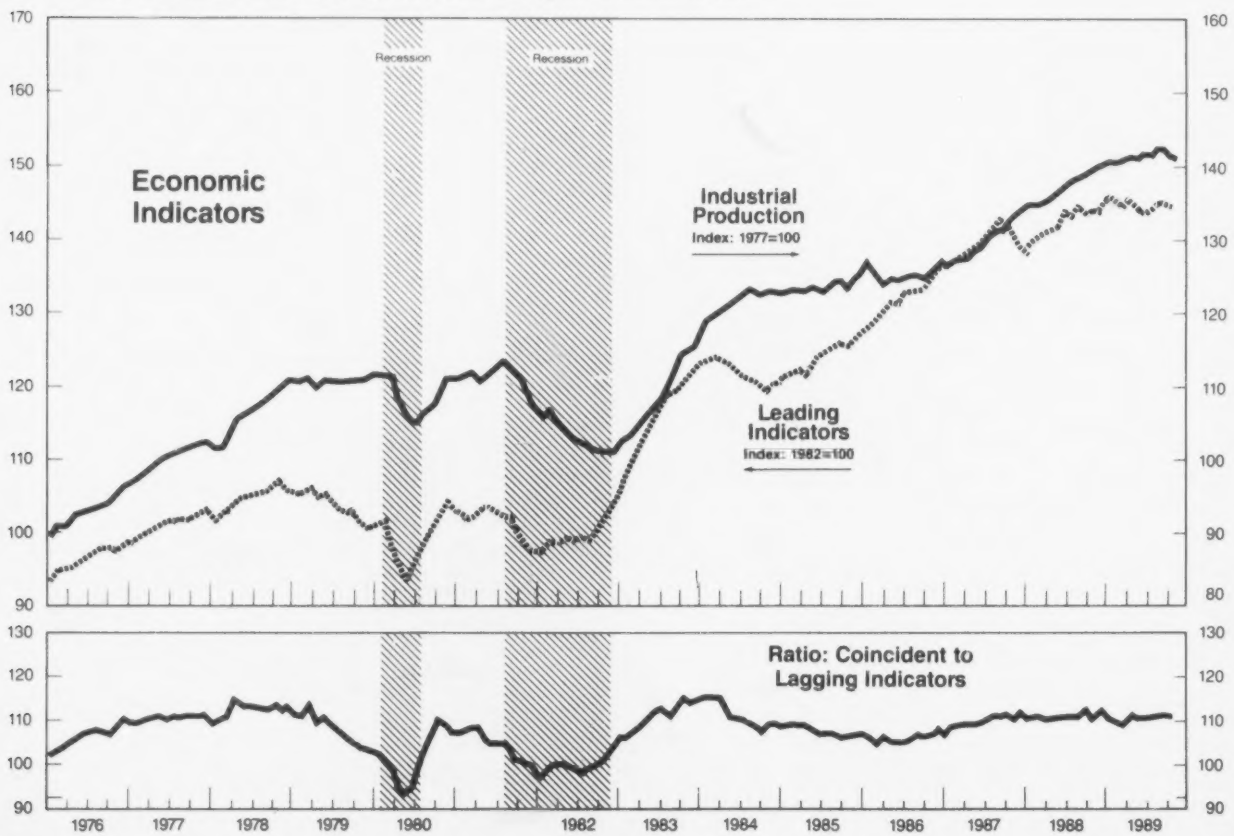


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.		X		0.4%	0.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.			X	- 6.1%	7.9%
New orders, nondefense capital goods (deflated)	Sep.			X	- 5.6%	3.8%
New business formation	Sep.			X	- 2.6%	- 1.3%
*Housing permits	Oct.	X			5.8%	-11.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.	X			6.0%	0.0%
*Change in unfilled orders, mfg.	Oct.			X	-58.1%	-56.1%
Purchasing manager's buying policy	Nov.	X			4.4%	9.3%
*Vendor performance, reported slower deliveries	Oct.			X	- 9.0%	-21.8%
Industrial raw materials prices	Oct.		X		0.1%	7.2%
*Change in sensitive material prices	Oct.			X	- %	-270.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.	X			1.3%	0.1%
Change in business loans	Sep.			X	-168.2%	-17.9%
*Consumer expectations	Nov.		X		5.0%	- 2.3%
Change in consumer installment debt	Sep.			X	-77.7%	-67.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	- 9.7%	- 9.6%
*Common stock prices	Oct.	X			4.7%	25.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.			X	- 0.3hr	- 0.5hr
*Initial unemployment claims (inverted)	Oct.			X	- 5.6%	-23.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1988 Oct.	1989 Jul.	Aug.	Sep.	Oct.(e)
Principal Diffusion Index	60.3	55.7	55.6r	53.0r	51.9
Auxillary Diffusion Index	60.7	53.8	49.7r	41.8r	46.1
Industrial Group	60.7	51.3	52.4r	48.8r	46.3
Nonindustrial Group	59.9	60.0	58.7	57.3r	57.4
Sense of Diffusion	1	1	1	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.4	59.4	60.3	55.6r	46.2
Labor	60.9	45.0	43.8r	42.7r	43.6
Miscellaneous	53.2	55.1	62.2	53.8r	53.2
Nonindustrial Subgroups					
Prices	44.2	58.3	57.7	56.4	55.1
Consumer	68.4	60.3	66.2	66.7	66.7
Building	56.1	53.2	45.5	45.5	45.5
Miscellaneous	64.5	65.4	60.7	56.4r	57.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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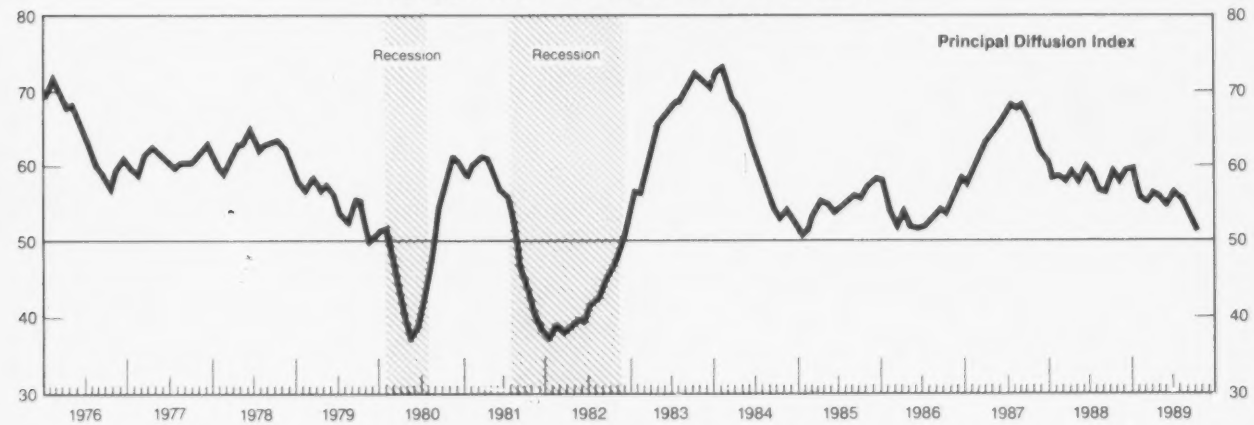
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986	*1987*				*1988*				*1989*		
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	51	55	55	59	47	51	58	56	51	48	48	49
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	50	56	55	62	50	49	64	65	54	52	48	47
2. Expectations for Economy, Six Months Ahead	51	54	53	56	43	50	54	51	48	43	47	48
3. Expectations for Own Industry, Six Months Ahead	53	56	56	58	48	54	55	53	51	48	50	51

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[1] Capital Markets		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Oct., 1989*		*Nov., 1989*		*Nov., 1989*		*Nov., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**III**			**$5278.9**	**6.1%**	**$5278.9**	**6.1%**	**$5278.9**	**6.1%**
Forecast	1989	IV	$5362.2	6.9%	5342.6	4.9	5333.8	4.2	5353.0	5.7
	1990	I	5421.6	4.5	5415.8	5.6	5401.9	5.2	5427.7	5.7
		II	5508.7	6.6	5506.4	6.9	5470.3	5.2	5523.9	7.3
		III	5606.6	7.3	5599.4	6.9	5553.8	6.2	5607.2	6.2
		IV	5705.1	7.2	5692.5	6.8	5643.2	6.6	5704.7	7.1
	1991	I	5808.1	7.4	5792.6	7.2	5738.6	6.9	5799.0	6.8
		II	5908.7	7.1			5841.6	7.4	5895.9	6.9
		III	6010.4	7.1			5948.3	7.5	5966.2	4.9
		IV	6112.3	7.0			6058.7	7.6		
	1989	Annual	5237.5	7.3	5234.1	7.2	5231.9	7.2	5236.7	7.3
	1990	Annual	5560.5	6.2	5553.5	6.1	5517.3	5.5	5565.9	6.3
	1991	Annual	5959.9	7.2			5896.8	6.9		
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**III**			**$4160.2**	**2.7%**	**$4160.2**	**2.7%**	**$4160.2**	**2.7%**
Forecast	1989	IV	$4177.0	1.8%	4171.0	1.0	4167.0	0.7	4175.3	1.5
	1990	I	4168.9	-0.8	4181.5	1.0	4181.0	1.4	4186.2	1.0
		II	4190.9	2.1	4205.1	2.3	4195.0	1.3	4220.7	3.3
		III	4226.9	3.5	4231.4	2.5	4217.0	2.1	4242.5	2.1
		IV	4261.4	3.3	4256.5	2.4	4243.0	2.5	4267.9	2.4
	1991	I	4282.2	2.0	4283.1	2.5	4273.0	2.9	4287.8	1.9
		II	4313.3	2.9			4308.0	3.3	4312.4	2.3
		III	4339.2	2.4			4345.0	3.5	4313.1	0.1
		IV	4365.8	2.5			4384.0	3.6		
	1989	Annual	4143.6	3.0	4142.6	2.9	4141.6	3.0	4143.7	2.8
	1990	Annual	4212.0	1.7	4218.6	1.8	4209.0	2.1	4229.3	0.9
	1991	Annual	4325.1	2.7			4327.5	2.8		
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**III**			**126.9**	**3.3%**	**126.9**	**3.3**	**126.9**	**3.3%**
Forecast	1989	IV	128.4	5.0%	128.1	3.8	128.0	3.5%	128.2	4.2
	1990	I	130.0	5.3	129.5	4.5	129.2	3.8	129.7	4.6
		II	131.4	4.4	130.9	4.5	130.4	3.8	130.9	3.8
		III	132.6	3.7	132.3	4.3	131.7	4.0	132.2	4.0
		IV	133.9	3.8	133.7	4.3	133.0	4.0	133.7	4.6
	1991	I	135.6	5.3	135.2	4.6	134.3	4.0	135.2	4.8
		II	137.0	4.1			135.6	3.9	136.7	4.4
		III	138.5	4.5			136.9	3.9	138.3	4.8
		IV	140.0	4.4			138.2	3.9		
	1989	Annual	126.4	4.2	126.3	4.2	126.3	4.2	126.4	4.2
	1990	Annual	132.0	4.4	131.6	4.2	131.1	3.8	131.6	4.1
	1991	Annual	137.8	4.4			136.2	3.9		
Unemployment Rate										
Actual	**1989**	**III**		**5.2%**		**5.2%**		**5.2%**		**5.2%**
Forecast	1989	IV		5.3		5.4		5.4		5.3
	1990	I		5.6		5.5		5.6		5.4
		II		5.8		5.6		5.7		5.4
		III		5.8		5.5		5.8		5.5
		IV		5.7		5.5		5.8		5.5
	1991	I		5.6		5.5		5.7		5.5
		II		5.5				5.6		5.5
		III		5.4				5.5		5.6
		IV		5.3				5.3		
	1989	Annual		5.2		5.3		5.3		5.2
	1990	Annual		5.7		5.5		5.7		5.5
	1991	Annual		5.5				5.5		

Notes: Percentage changes represent compound annual rates of change from perceding period. Quarterly data are seasonally adjusted.

[1]Based on revised third quarter data.

[2]Based on preliminary third quarter data.

ECONOMIC FORECASTS (continued)

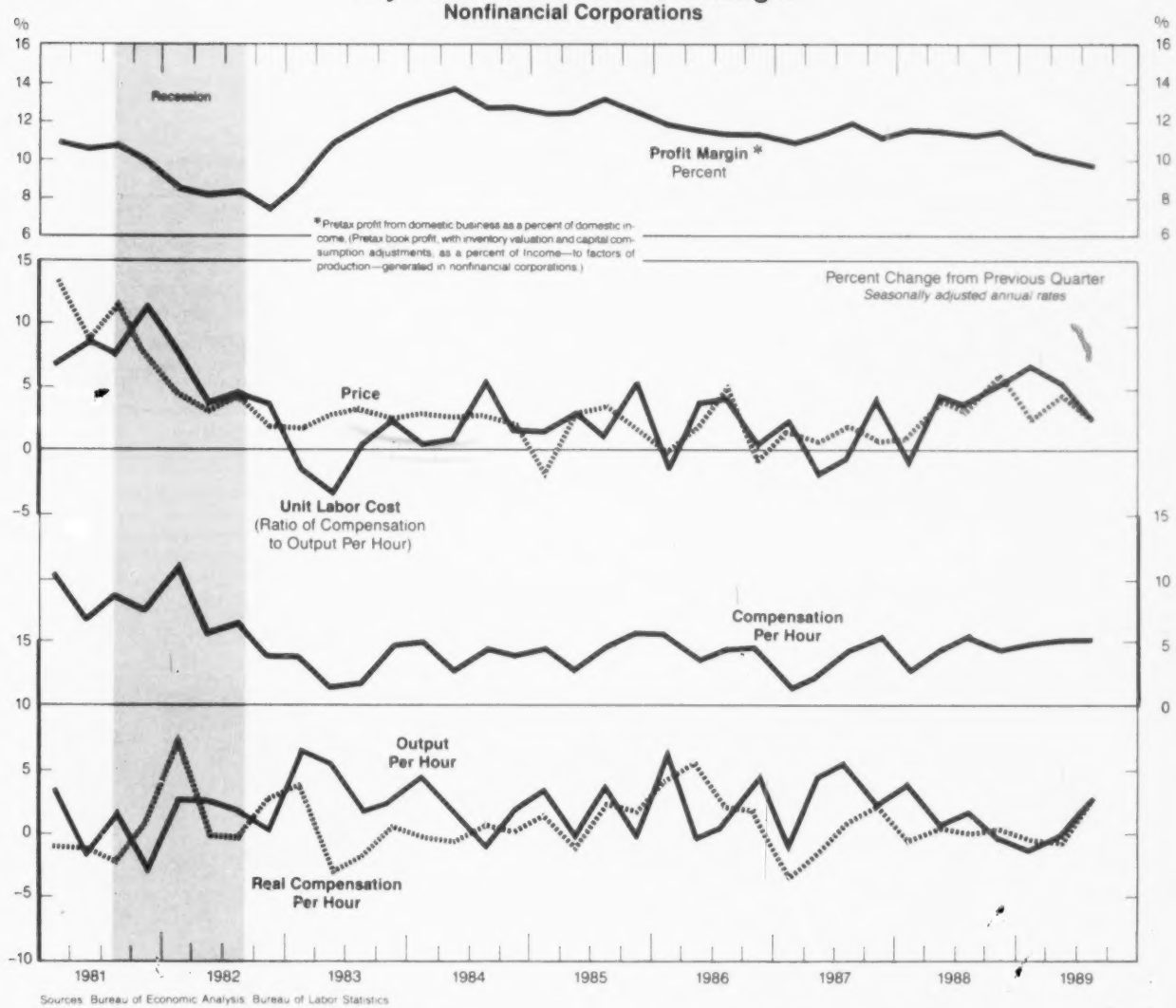
The Conference Board[2]		Laurence H. Meyer[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Oct., 1989		Nov., 1989		Nov., 1989		Nov., 1989		Date of Forecast		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$5278.9	**6.1%**	**$5278.9**	**6.1%**	**$5278.9**	**6.1%**	**III**	**1989**	**Actual**
$5323.0	3.8%	5345.2	5.1	5329.1	3.9	5346.6	5.2	IV	1989	Forecast
5353.0	2.3	5422.0	5.9	5396.3	5.1	5437.2	7.0	I	1990	
5415.0	4.7	5501.9	6.0	5475.1	6.0	5523.6	6.5	II		
5500.0	6.4	5577.5	5.6	5549.1	5.5	5606.5	6.1	III		
5591.0	6.8	5651.4	5.4	5633.5	6.2	5695.8	6.5	IV		
		5742.5	6.6	5737.0	7.6	5797.8	7.4	I	1991	
		5838.5	6.9	5835.9	7.1	5891.6	6.6	II		
		5932.4	6.6	5933.0	6.8	5997.8	7.4	III		
		6020.5	6.1	6027.8	6.5	6101.0	7.1	IV		
5227.8	7.1	5234.7	7.3	5230.7	7.2	5235.1	7.3	Annual	1989	
5464.8	4.5	5538.2	5.8	5513.5	5.4	5565.8	6.3	Annual	1990	
		5883.5	6.2	5883.4	6.7	5947.1	6.9	Annual	1991	
								Gross National Product Billions of Constant (1982) Dollars		
		$4160.2	**2.7%**	**$4160.2**	**2.7%**	**$4160.2**	**2.7%**	**III**	**1989**	**Actual**
$4158.6	0.0%	4170.9	1.0	4167.1	0.7	4171.3	1.1	IV	1989	Forecast
4146.1	-1.2	4185.6	1.4	4182.3	1.5	4190.0	1.8	I	1990	
4159.0	1.3	4206.5	2.0	4200.0	1.7	4212.7	2.2	II		
4182.7	2.3	4225.1	1.8	4216.7	1.6	4238.4	2.5	III		
4210.1	2.6	4242.7	1.7	4243.4	2.6	4266.0	2.6	IV		
		4267.8	1.7	4278.2	2.6	4290.7	2.6	I	1991	
		4297.9	2.4	4309.3	3.3	4315.8	2.3	II		
		4326.1	2.9	4337.4	2.9	4346.2	2.4	III		
		4349.8	2.7	4362.0	2.6	4375.5	2.9	IV		
4139.0	2.8	4142.6	2.9	4141.7	2.9	4142.7	2.9	Annual	1989	
4174.5	0.9	4215.0	1.7	4210.6	1.7	4226.8	2.0	Annual	1990	
		4310.4	2.3	4321.7	2.6	4332.1	2.5	Annual	1991	
								Gross National Product deflator Index, 1982 = 100		
		126.9	**3.3%**	**126.9**	**3.3%**	**126.9**	**3.3%**	**III**	**1989**	**Actual**
128.0	3.8%	128.2	4.0	127.9	3.2	128.2	4.1	IV	1989	Forecast
129.1	3.5	129.5	4.4	129.0	3.6	129.8	5.1	I	1990	
130.2	3.4	130.8	3.9	130.4	4.2	131.1	4.2	II		
131.5	4.0	132.0	3.8	131.6	3.9	132.3	3.6	III		
132.8	4.0	133.2	3.7	132.8	3.6	133.5	3.8	IV		
		134.6	4.1	134.1	4.1	135.1	4.9	I	1991	
		135.8	3.9	135.4	4.0	136.5	4.2	II		
		137.1	3.8	136.8	4.1	138.0	4.4	III		
		138.4	3.8	138.2	4.2	139.4	4.2	IV		
126.3	4.1	126.4	4.2	126.3	4.1	126.4	4.2	Annual	1989	
130.9	3.6	131.4	4.0	130.9	3.7	131.7	4.2	Annual	1990	
		136.5	3.9	136.1	4.0	137.3	4.3	Annual	1991	
								Unemployment Rate		
	5.2%		**5.2%**		**5.2%**		**5.2%**	**III**	**1989**	**Actual**
	5.5		5.4		5.4		5.4	IV	1989	Forecast
	5.8		5.5		5.4		5.6	I	1990	
	5.9		5.6		5.4		5.8	II		
	5.8		5.6		5.5		5.8	III		
	5.6		5.7		5.5		5.7	IV		
			5.7		5.5		5.7	I	1991	
			5.7		5.4		5.7	II		
			5.6		5.4		5.6	III		
			5.5		5.3		5.5	IV		
	5.3		5.3		5.3		5.3	Annual	1989	
	5.8		5.6		5.5		5.7	Annual	1990	
			5.6		5.4		5.6	Annual	1991	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

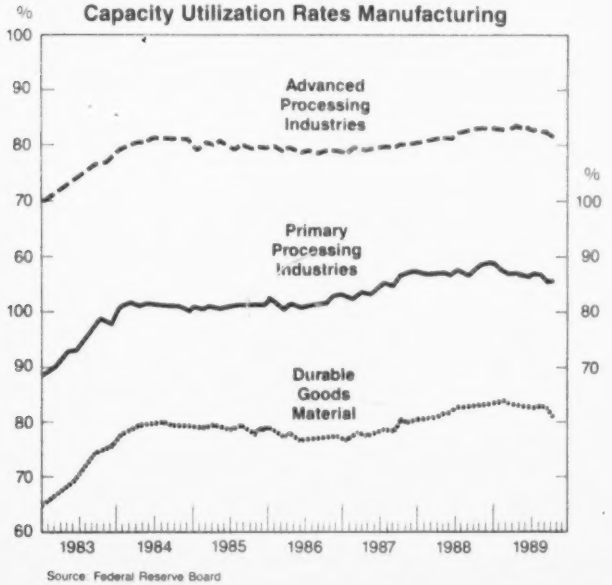
Key Determinants of Profit Margin

Nonfinancial Corporations



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

Capacity Utilization Rates Manufacturing



Source: Federal Reserve Board

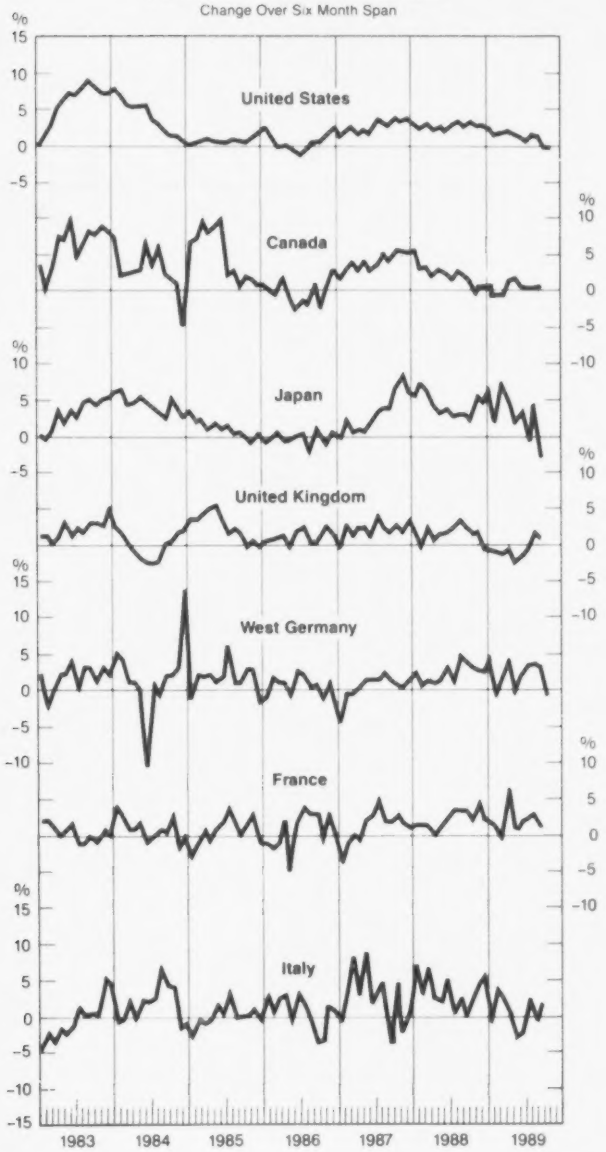
Inventory-Sales Ratios

Source: Bureau of Economic Analysis

Selected International Comparisons

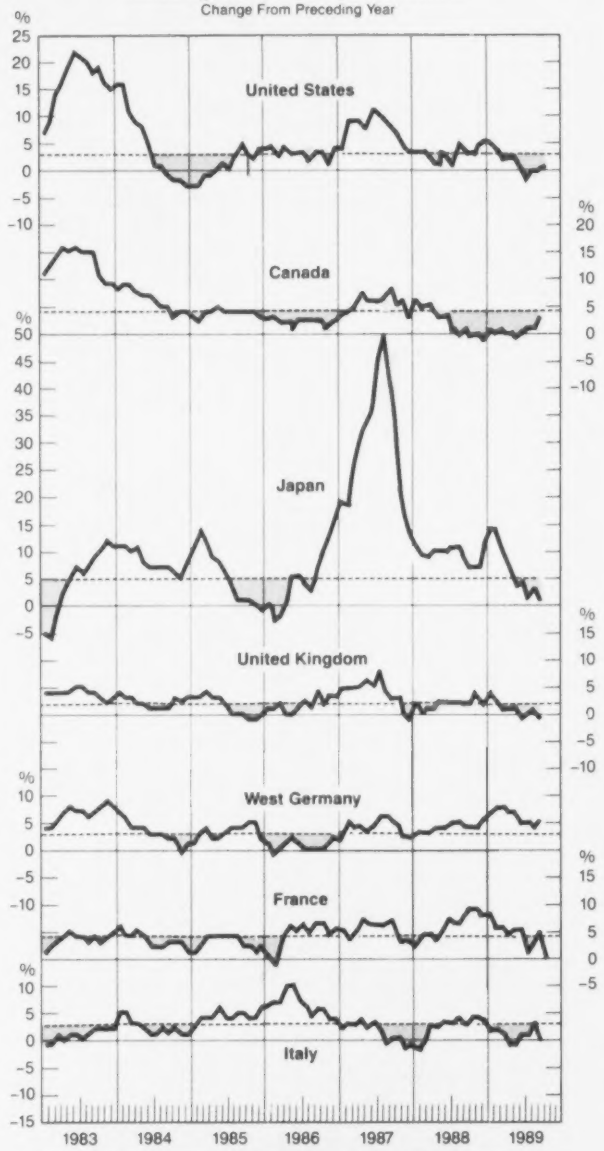
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

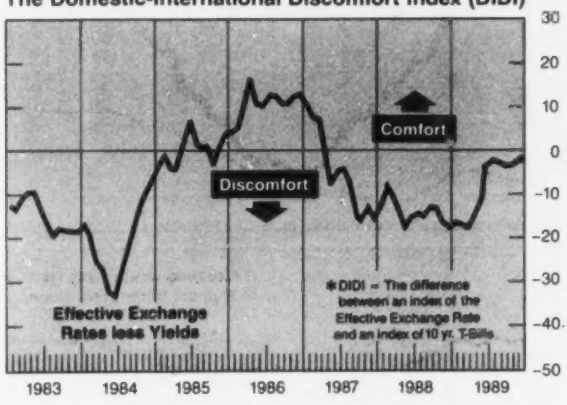
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

Sources: Morgan Guaranty Trust Company; Department of Treasury; *The Sommers Letter*.

The Domestic-International Discomfort Index (DIDI)*



CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

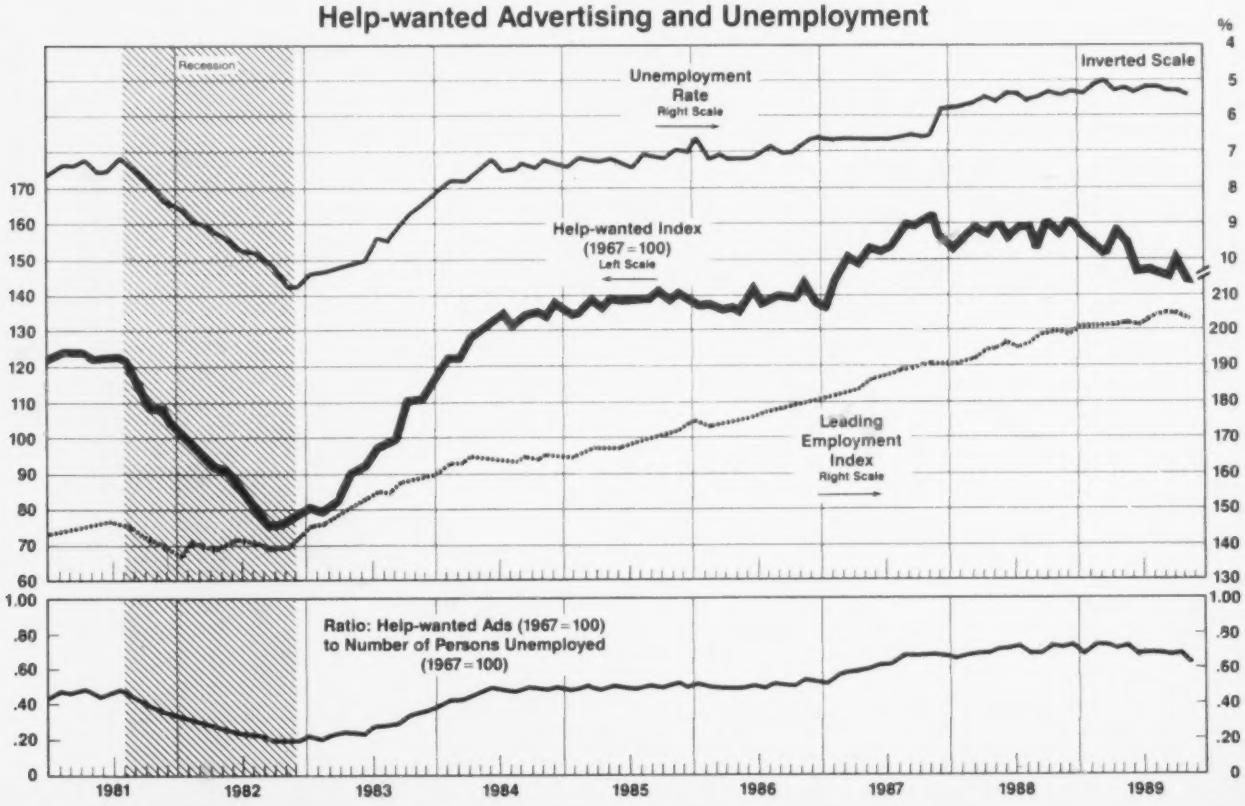
Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 Oct.	1989 Sep.	1989 Aug.	1988 Oct.
National Index	150	148r	147	161
New England	96	99	100	141
Boston	95	94	97	136
Hartford	98	106	104	151
Providence	97	110	109	151
Middle Atlantic	75	73	74	88
Albany	171	173	184	219
Allentown	313	345	330	376
New York	48	47	48	58
Philadelphia	67	58	62	79
Pittsburgh	99	97	98	101
Rochester	87	94	85	112
Syracuse	161	155	151	172
East North Central	103	98	99	110
Chicago	99	98	99	110
Cincinnati	152	160	150	175
Cleveland	75	70	74	80
Columbus	167	164	174	179
Dayton	92	87	87	98
Detroit	58	52	54	65
Gary	240	230	221	207
Indianapolis	140	135	137	132
Milwaukee	102	73	74	95
Toledo	125	120	126	144
West North Central	102	93	98	105
Kansas City	131	120	129	132
Minneapolis	87	79	88	96
Omaha	194	185	171	180
St. Louis	74	67	69	78
South Atlantic	175	175	174	220
Atlanta	220	218	218	267
Baltimore	167	166	159	273

Locality	1989 Oct.	1989 Sept.	1989 Aug.	1988 Oct.
Charlotte	217	184	191	212
Jacksonville	211	213	212	225
Miami	154	154	158	177
Richmond	145	141	143	154
Washington, D.C.	156	162	160	192
East South Central	175	188r	182r	192
Birmingham	174	195r	189r	195
Knoxville	321	336	333	337
Louisville	N.A.	N.A.	N.A.	104
Memphis	148	143	140	155
Nashville	229	249	236	250
West South Central	199	213	181	181
Dallas	148	146	145	147
Houston	298	358	269	262
New Orleans	144	140	130	129
Oklahoma City	128	123	120	124
San Antonio	169	153	136	157
Tulsa	185	169	169	156
Mountain	332	309	316	319
Denver	220	213	217	225
Phoenix	396	381	375	406
Salt Lake City	457	395	425	378
Pacific	273	265r	268	271
Los Angeles	177	164	174	178
Sacramento	570	556	525	524
San Bernardino	324	327	327	318
San Diego	675	643	678	674
San Francisco	265	269r	260	269
Seattle	298	305	292	284
Percentage of papers with rising volume	69	55r	35	82
Unemployment rate	5.3	5.3	5.2	5.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6	116.7	117.2	120.4	115.4	116.3	117.0r	114.3p	

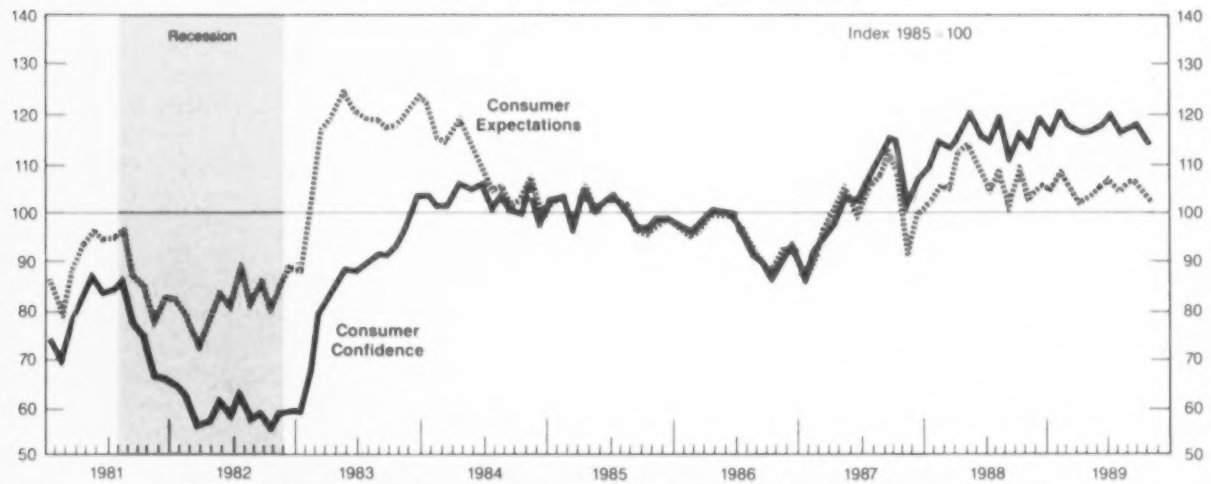
Expectations Index

1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8	103.0	105.1	106.6	103.7	106.1	106.4	102.9p	

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS

Billions of Dollars, Seasonally Adjusted

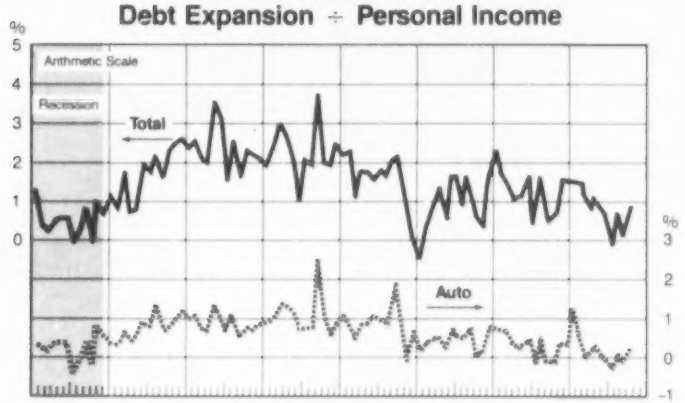
	1987			1988				Percent Change From Previous Year	
								Actual	Estimate
	III-87	IV-87	I-88	II-88	III-88	IV-88(r)	I-89(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.561	35.909	30.846	40.686	40.384	45.279	50.009	39%	16%
Capital expenditures	27.381	29.820	29.412	31.718	36.037	35.281	35.331	33	18
Change in appropriations backlog*	-0.080	3.510	0.650	8.760	-4.110	8.630	14.340		
Durable Goods									
New appropriations	17.208	20.245	14.310	20.261	20.791	23.547	18.129	27	14
Capital expenditures	13.970	16.037	15.780	16.910	19.526	16.657	17.032	31	28
Change in appropriations backlog*	2.930	3.810	-1.600	3.670	-1.080	6.240	1.340		
Nondurable Goods									
New appropriations	12.353	15.664	16.536	20.425	19.593	21.732	31.880	52	17
Capital expenditures	13.411	13.783	13.632	14.808	16.511	18.624	18.299	35	12
Change in appropriations backlog*	-3.010	-0.300	2.250	5.090	-3.030	2.390	13.010		

Available on request: Historical data from 1953, and quarterly reports containing text and data for 17 separate manufacturing industries.

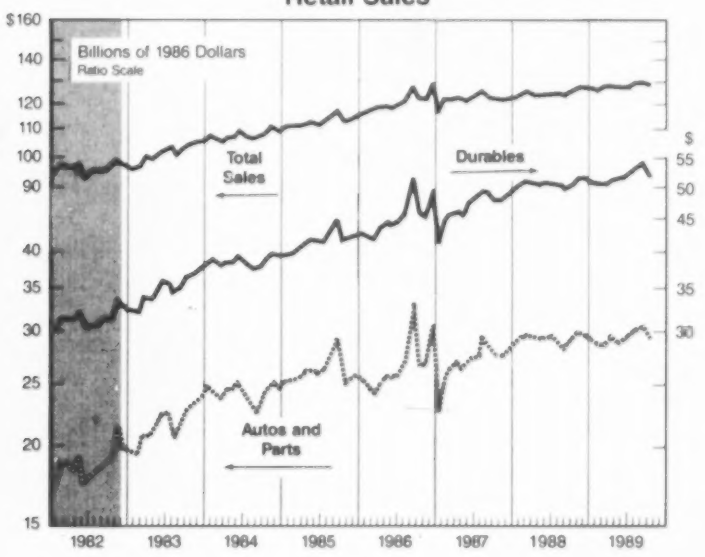
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



Sources: Bureau of Economic Analysis, Federal Reserve Board

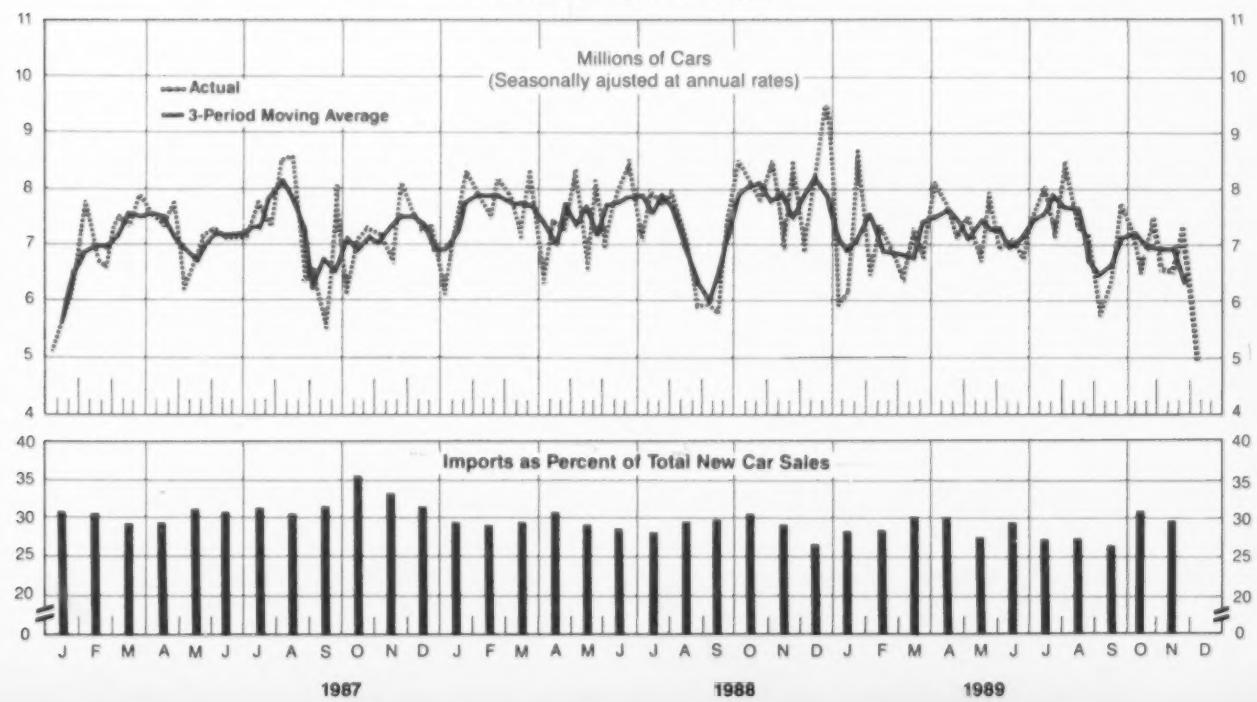
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	7.09
	21-30	8.39	7.09	8.48	6.74
July:	1-10	8.10	7.10	7.02	7.56
	11-20	7.28	7.68	7.99	8.03
	21-31	7.97	7.29	7.69	7.10
August:	1-10	7.63	8.55	7.95	8.46
	11-20	7.34	8.60	7.01	7.33
	21-31	8.08	6.26	5.92	7.15
September:	1-10	14.00	6.74	5.93	5.71
	11-20	8.83	5.45	5.80	6.33
	21-30	8.62	8.03	7.40	7.76
October:	1-10	10.04	6.13	8.43	7.30
	11-20	7.67	7.10	8.08	6.48
	21-31	7.27	7.24	7.78	7.51
November:	1-10	7.96	7.15	8.55	6.51
	11-20	7.59	6.68	6.97	6.48
	21-30	7.89	8.09	8.46	7.33
December:	1-10	7.75	7.60	6.48	4.88
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally ajusted at annual rates)
Actual
3-Period Moving Average
Imports as Percent of Total New Car Sales
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1987
1988
1989